



Daily Report

East Asia

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Ramos Views ASEAN Nuclear Pact, MDT Issue

*BK2112124595 Quezon City MALAYA in English
17 Dec 95 pp 1, 6*

[Report by Ariel Digma]

[FBIS Transcribed Text] Bangkok (via PLDT [Philippine Long Distance Telephone Co.]) — President Ramos said the Southeast Asia Nuclear Weapons Free Zone Treaty that he and nine other regional leaders signed here Friday is not in conflict with the Mutual Defense Treaty [MDT] between the Philippines and the United States.

In a press conference at the Oriental Hotel Friday, the President said he does not see a full-blown conflict arising from the South China Sea dispute that would necessitate the United States to come to the aid of the Philippines under the MDT or vice versa.

The MDT binds the United States and the Philippines to come to each other's defense in case of hostilities with third parties.

"As I said, conflict is a very, very remote possibility because the policy between China and the United States, between China and the Philippines, among those of us in Asia-Pacific in APEC (Asia-Pacific Economic Forum), is constructive peaceful engagement where economic interdependence is the better insurer of stability and security, not military alliances and weapons systems," the president said.

The nuclear weapons-free zone treaty was signed by the seven member countries of the ASEAN at the close of the two-day 5th ASEAN leaders' summit Friday, together with leaders of Laos, Cambodia, and Myanmar [Burma] who attended as observers.

With the treaty is a protocol that ASEAN wants signed by nuclear powers the United States, France, China, Russia, and Britain. The protocol mandates the nuclear powers to respect the treaty.

The United States and Chinese oppose the treaty.

The United States questions provisions which include economic zones and continental shelves in the coverage of the treaty.

China sees recognition of the treaty as a surrender of its claim to disputed Spratly Islands in the South China Sea.

Four ASEAN countries — Brunei, Malaysia, Vietnam, and the Philippines — are claiming in whole or in part the oil-rich islands, together with China and Taiwan.

The president said the protocol is flexible.

"The treaty does not really pose difficulties to the Philippines in regard to its Mutual Defense Treaty with the United States because while there is perceived some difficulty at this time, there is enough flexibility in the protocol," the president said.

After signing the nuclear treaty, the 10 Southeast Asian leaders agreed to further review the protocol to address the objections of the nuclear powers.

The president expressed optimism that the nuclear powers will sign the protocol as ASEAN "is going to be very patient about this in terms of the accession to the protocol."

Ramos leaves Bangkok Sunday for a two-day state visit to Cambodia to show the Philippines' support for its entry to ASEAN and its recovery program.

The president and his party will be welcomed at the Pochentong International Airport in Phnom Penh by Cambodian King Norodom Sihanouk and Queen Monineat Sihanouk.

Thailand-Malaysia-Indonesia Triangle Meeting

*BK2012092195 Bangkok BANGKOK POST
in English 20 Dec 95 p 28*

[Report by Chatrudi Theparat]

[FBIS Transcribed Text] Narathiwat — The Government has allocated three billion baht next fiscal year and at least five billion baht in 1997 to develop infrastructure in five southern provinces which are part of the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT).

Speaking at the opening ceremony for the fourth Indonesia-Malaysia-Thailand Growth Triangle Business Council meeting, Transport and Communications Minister Wanmuhammatno Matha said the move reconfirmed Thailand's strong commitment towards cooperation in the triangle.

The budget will be used to develop transportation, telecommunications, tourism and industrial estates.

Phonchai Ruchiprapha, director of the National Economic and Social Development Board's Integrated Plan Operation Centre, said three private investors want to establish three industrial estates in five provinces.

Mr Wanmuhammatno added that the transportation and communication networks have high priority and need urgent implementation because they are significant for tourism, trade and investment.

Thailand will accelerate the establishment of a Thailand-Malaysia working group to reach an agreement on the locations of Buketa bridges and a Satun-Perlis highway.

The meeting will discuss private-sector joint ventures in the construction of a Penang-Songkhla land bridge. The Thai Government will support the principle of the IMT-GT land bridge, particularly the road and rail components.

Mr Wanmuhammatno said Thailand needs to speed up development of Narathiwat airport as an international airport with customs procedures, because Malaysia and Indonesia have already built up their aviation networks in the growth triangle area.

Thailand will liberalise all telecommunication systems in IMT-GT areas. But the Government needs more details of liberalisation, he said.

He said both the Government and private sector should pay more attention to the projects because the IMT-GT still faces three main hurdles:

- incomplete transportation linkages on road, sea and air;
- problems on rules and regulations pertaining to border crossing are still inconsistent in terms of content and procedures; and
- a critical shortage of skilled labour.

Mr Wanmuhammatno added that the establishment of the Islamic bank in the growth triangle area should be accelerated because it is a need of people in the area. He will seek support from the Finance Ministry and the Bank of Thailand to implement this.

Thawat Yipinsoi, an executive of the Joint Standing Committee on Commerce, Industry and Banking, said 90% of businesses in the area are small and medium-sized enterprises, which would play a significant role in developing the country's economy.

West Sumatera Included in Triangle

BK2112055995 Bangkok BANGKOK POST in English 21 Dec 95 p 26

[Report by Chatrudi Thepharat]

[FBIS Transcribed Text] West Sumatera, Indonesia, has been included in the Indonesia-Malaysia-Thailand Growth Triangle.

Senior officials meeting in Narathiwat yesterday approved a request from the Indonesian Business Council to expand the zone.

Sansoen Wongchaom, deputy secretary-general of the National Economic and Social Development Board, said the officials agreed the move would be beneficial, especially for Malaysia and Thailand which wants to tap West Sumatera's resources.

Thai Growth Triangle Business Council president Siriphong Chanthrasami said West Sumatera offered good investment prospects as it had four million people.

Before the inclusion of West Sumatera, the triangle took in 20.5 million people throughout Kedah, Perlis, Penang and Perak in Malaysia, Yala, Narathiwat and Songkhla in Thai land and northern Sumatera Indonesia.

Infrastructure being developed in West Sumatera includes transport, electricity, water supply, an airport and telecommunications, as the province's economy is growing by 7.1% per year, according to the West Sumatera Chamber of Commerce and Industry.

Business opportunities include agriculture, forestry, mining, tourism and industry.

West Sumatera has six palm oil plantations, four of cocoa, two of tea and seven rubber processing factories. Mines include coal granite, limestone clay, marble, obsidian and copper. The province has direct flights to Singapore, Johor and Kuala Lumpur.

The meeting also agreed to set up a special economic zone and land bridge across the Thai-Malaysian border.

The Asian Development Bank had been asked to make a detailed study of the zone, Mr Siriphong said.

The officials' meeting ends tomorrow.

Malaysian Minister Views Labuan Financial Act

BK2212113595 Kuala Lumpur THE STAR in English 22 Dec 95

[Report by Vanitha Nadaraj]

[FBIS Transcribed Text] Kuala Lumpur — Labuan will play the lead role as the financial centre in developing the Southern Triangle with the Labuan Financial Act.

Deputy Finance Minister Datuk Dr Affifudin Haji Omar said Labuan was an ideal geographical location as the centre to serve the triangle comprising Philippines, Sumatera, Sulawesi, Sabah and Brunei.

He said the Act would enable an international off-shore stock exchange centre to be built there.

"There will be a lot of demand for financial capital and the most important action for now would be to successfully attract Brunei for its funds," he told reporters after opening the Conference on SPTF (Skim Perbankan Tanpa Faedah) [interest-free banking scheme] Islamic Banking Products.

He said Singapore had also indicated interest in wanting to be the financial centre.

He said this was part of the national objective of making Kuala Lumpur the regional financial supermarket.

Affifudin also said that necessary infrastructure to prepare Labuan for this purpose was underway with about RM [Malaysian ringgit] 300 million being pumped in to build institutions and banks which were nearly completed.

"The government will do its utmost to make Labuan a very successful international off-shore stock exchange centre," he added.

Japan**Court Battle Begins Over U.S. Bases in Okinawa**

OW2212032795 Tokyo KYODO in English
0303 GMT 22 Dec 95

[FBIS Transcribed Text] Naha, Japan, Dec. 22 KYODO — A landmark court battle began Friday [22 December] in a case pitting Prime Minister Tomiichi Murayama against Okinawa Gov. Masahide Ota over Ota's refusal to sign documents needed for the continued forced rental of land to the U.S. military.

In their statement at the first hearing held at the Naha branch of the Fukuoka high court, central government litigation officials demanded a court order requiring Ota to sign the documents on the grounds Ota's refusal runs counter to public interests by making it difficult for the government to provide land to the U.S. military under the Japan-U.S. Security Treaty.

A group of lawyers for the prefectural government defended Ota's refusal as a step to protect the interests of Okinawa people long exposed to the risk of criminal acts by U.S. servicemen and base-related troubles, claiming that the forced rental of land owned by Okinawa residents is unconstitutional because it infringes on landowners' property rights.

The legal wrangling came on the heels of a petition filed by Murayama earlier this month seeking a court order forcing Ota to sign the documents in question after receiving a letter from the governor rejecting the premier's instruction to sign the documents.

Ota is the first governor to be sued by a prime minister for refusing to execute a job ordered by the central government under the local autonomy law.

It seems that Ota at least has public support as he has received some 28,000 letters and telegrams supporting him in the case so far. "I'm confident because I have public support like this," Ota said earlier.

The central government wants to obtain a court order over the case by late March when contracts for use of some of the land by the U.S. military bases expire.

The prefectural government hopes to use the trial as a chance to appeal for a nationwide understanding of the situation in Okinawa. One prefectural government official said more than 20 hearings are needed and the trial should go beyond late March.

But the local autonomy law stipulates speedy court procedures, requiring the first hearing of a case under the law to be held within 15 days after the case is taken to court, and all evidence and arguments to be provided at the first hearing.

At Friday's hearing, Ota himself and some landowners who have refused to lease their land to the U.S. military were present.

Ota asked the presiding judge to base his ruling on the principle of judiciary independence and hand down a decision that "can stand the judgment of history."

The second hearing is set for Feb. 9. The central government had demanded two hearings in January alone, but the court paid heed to a request by the prefectural government that the next hearing be held in February so that it has more time to prepare its case.

Central government officials said they expect a court ruling in mid-March as the court is proposing the third hearing and the following ones be held intensively in late February.

Spokesman: Tokyo Not To Negotiate on Film Issue

OW2212121395 Tokyo KYODO in English
1141 GMT 22 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 22 KYODO — Japan has no intention to start intergovernmental talks with the United States over foreign access to the Japanese photographic film and paper market, a Foreign Ministry spokesman said Friday [22 December].

Spokesman Hiroshi Hashimoto was responding to a call Thursday for beginning such consultations between the two countries.

The proposal was made by Ira Shapiro, senior counsel and negotiator at the office of the U.S. Trade Representative (USTR), who said in a statement, "we look forward to discussing our assessment of the facts and working to resolve this issue with the government of Japan."

He issued the statement after Fuji Photo Film Co. filed with the USTR a new document rebutting Eastman Kodak Co.'s charges of anticompetitive practices in Japan.

In early July, the USTR started a yearlong investigation under section 301 of the 1974 trade law, based on a petition filed by Kodak singling out Fuji for blocking foreign access to Japan's markets in cooperation with the government. The section involves possible trade sanctions.

Hashimoto said at a news conference Tokyo has no plans to hold consultations with Washington based on section 301 which he says allows the U.S. administration to take unilateral action against Japan.

"It is possible and appropriate for Eastman Kodak to file a complaint with Japan's Fair Trade Commission

because the company maintains that anticompetitive practices are being carried out in the Japanese market," he said.

Murayama Favors Broad Composition for New Party

*OW2212091895 Tokyo KYODO in English
0832 GMT 22 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 22 KYODO — Prime Minister Tomiichi Murayama reiterated Friday [22 December] that his Social Democratic Party (SDPJ) should gather a wide range of political forces together when it transforms itself into a new party.

Murayama, in an interview with the media at his home in Oita Prefecture, western Japan, said the anticipated new party should be one that can govern.

He said a new political force is necessary in Japan to counter the two major conservative forces — the Liberal Democratic Party (LDP) and the main opposition Shinshinto (New Frontier Party).

The new party should gather "liberal" forces to continue playing the role that the SDP has been playing in preserving peace and democracy, and protecting human rights and weaker people, he said.

The SDP should reform itself in line with changes in the world, such as the termination of the Cold War, he said.

The SDP had planned to form the new party at a convention Jan. 19 but canceled the plan at Murayama's request.

Murayama also stressed the importance of the Japan-U.S. security arrangements, saying it gives a "sense of relief" to the Asia-Pacific region.

"When I toured Southeast Asia, I encountered concerns that Japan may become a military power again, but the Japan-U.S. security setup gives a sense of relief that as long as it exists Japan will not do so," he said.

Also, despite the end of the Cold War, there are still countries in Asia promoting armament and regions that are unstable, he said.

Murayama said Japan should also think over the current state of U.S. bases in Japan, with his government aiming to produce an answer within a year to Okinawa people's wishes to cut U.S. bases.

People in Okinawa Prefecture, which accounts only for 0.6 percent of Japan's total land area but is home to 75 percent of U.S. bases in the country, have stepped up demands to cut the bases, following the rape of an

Okinawa schoolgirl in September, for which three U.S. servicemen are on trial.

Asked what he will do in the new year to pep up the sluggish economy, Murayama pledged to promote deregulation, liberalization and the opening up of the Japanese market.

His government will also put a fresh emphasis on communications and technology, while expanding employment in such fields as care of the elderly.

Fire-Monitoring System Delayed Monju Shutdown

*OW2212045295 Tokyo KYODO in English
0416 GMT 22 Dec 95*

[FBIS Transcribed Text] Tsuruga, Japan, Dec. 22 KYODO — The lack of a vital component in the fire-monitoring system in the Monju fast-breeder nuclear reactor here caused a delay in the shutdown of the reactor when a highly corrosive coolant leaked earlier this month, a source familiar with the plant said Friday [22 December].

The source told KYODO NEWS SERVICE that the defective system made it hard for plant workers to realize what had happened.

The control room monitors hundreds of fire alarm sensors in the reactor on video screens, but the fire-monitoring system does not have a central monitoring board that shows which fire alarm has gone off, the source said.

Due to the lack of such a monitoring board, plant workers switched off the fire-monitoring system after the first alarm sounded so as to keep it from ringing, the source said.

Such fire-monitoring systems are usually designed to resume their operations even after they are switched off once, but the system at Monju was not so designed, the source said.

The leak of sodium set off a total of 66 fire alarms at the reactor, the first one being some 5 meters away from the leak site and the only one to have sounded in the control room.

A central government inspector said the operator of Monju, the governmental Power Reactor and Nuclear Fuel Development Corp. (Donen), in a report on the accident, gave a false time for when plant workers first entered the piping room where the leak occurred.

Shinichiro Ogura, chief of the Science and Technology Agency's reactor regulation division, told a news conference that his investigators had discovered an undeclared video of the scene and seized it from Donen.

The video showed that the workers entered the room at 2 A.M. Dec. 9 and not 10 A.M. as reported by Donen.

Ogura said the agency's inspection team only discovered this early Friday and plans to investigate further.

Donen has come under fire for editing a videotape in an attempt to cover up the extent of the sodium leak, forcing Donen chief Hiroshi Oishi to make an apology Thursday.

A separate inspection team from the Nuclear Safety Commission, an advisory panel to the prime minister, is scheduled to open a probe into Monju on Friday.

Monju, Japan's prototype fast-breeder reactor, started operations in August and was scheduled to eventually generate 280 megawatts of electricity, making it the world's second largest fast-breeder reactor after the French Superphoenix.

The reactor is located in Tsuruga, Fukui Prefecture, on the coast of the Sea of Japan.

Fast-breeder reactors burn plutonium and produce more nuclear fuel than they consume. The Japanese Government plans to make them the centerpiece of the nation's energy policy for the 21st century.

Second Film Concealed by Monju Nuclear Operator
OW2212122995 Tokyo KYODO in English
1114 GMT 22 Dec 95

[FBIS Transcribed Text] Tsuruga, Japan, Dec. 22 KYODO — The operator of Japan's prototype fast-breeder nuclear reactor Monju has concealed another film of the recent sodium leak taken immediately after the Dec. 8 accident, the Science and Technology Agency said Friday [22 December].

The revelation came as an additional blow to the Governmental Power Reactor and Nuclear Fuel Development Corp. (Donen), which has already been under fire for deceptive reports about the accident.

The agency discovered the new film in its investigations into the Monju operator.

Donen has also been found to have made a false report on the time that its workers first entered the accident site.

The agency is now considering punishing Donen for its suspected unlawful handling of the accident.

Isao Sato, a senior Donen official in charge of Monju construction, said at a press conference the head of Donen's Monju plant, Yasuhito Omori, also watched the film immediately after it was taken.

It came to light Wednesday that Donen had edited a large portion of the video film it took 20 hours after the accident in an apparent cover-up attempt.

Monju, located in Tsuruga, Fukui Prefecture on the Sea of Japan coast, 340 kilometers west of Tokyo, shut down when liquid sodium in the reactor's secondary cooling system began to leak.

Omori said at a press conference Wednesday there were no more films of the accident.

A central government inspector said Donen, in a report on the accident, gave a false time for when plant workers first entered the room where the leak occurred.

Shinichiro Ogura, chief of the Science and Technology Agency's Reactor Regulation Division, told a news conference that his investigators had discovered the undeclared video of the scene and seized it from Donen.

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Ogura said the agency's inspection team only discovered this early Friday and plans to investigate further.

Donen has come under fire for editing a videotape in an attempt to cover up the extent of the sodium leak, forcing Donen chief Hiroshi Oishi to issue an apology Thursday.

In a related development, it was also disclosed Friday that the lack of a vital component in the fire-monitoring system in the Monju reactor caused a delay in the shutdown of the reactor when a highly corrosive coolant leaked.

A source close to the plant told KYODO NEWS SERVICE that the defective system had made it hard for plant workers to realize what had happened.

The control room monitors hundreds of fire alarm sensors in the reactor on video screens, but the fire-monitoring system does not have a central monitoring board that shows which fire alarm has gone off, the source said.

Due to the lack of a monitoring board, plant workers switched off the fire-monitoring system after the first alarm sounded so as to keep it from ringing, the source said.

Such fire-monitoring systems are usually designed to resume their operations even after they have been switched off once, but the system at Monju was not so designed, the source said.

The leak of sodium set off a total of 66 fire alarms at the reactor, the first one being 5 meters away from the

leak site and the only one to have sounded in the control room.

Shinshinto Divided Over Ozawa, Hata as Leader

962B0019A Tokyo SHUKAN BUNSHUN in Japanese
7 Dec 95 pp 42-44

[Unattributed article]

[FBIS Translated Text]

Calls made for Ichiro Ozawa to run as Shinshinto "party leader candidate" under all circumstances, representing counterattack "declared against" Hata forces

The junior members of the Shinshinto rallied ahead of the December party election in a call for an "Ichiro Ozawa Party Leader." In contrast, the Hata-Hosokawa alliance established an anti-Ozawa stance, saying, "We will not make Ozawa the secretary-general of the party." The Ozawa camp is desperately engaged in an effort to win votes, but the Sokka Gakkai, on which they are dependent, refuses to take a position. The Shinshinto undergoes major turbulence as we witness a rekindling of behind-the-scenes pro-conservative forces.

"We hereby commit ourselves to our political beliefs and rally in a determined effort to make Ichiro Ozawa our party leader as a way to save Japan."

On 20 November, at an unspecified location in Tokyo, a rally was held by parliamentarians to seek the Shinshinto party leader candidacy of Ichiro Ozawa.

"The rally was held in rigid secrecy and attendees were given strict orders to protect the confidentiality of the rally. Reportedly, the rally was attended primarily by about 70 junior members of the upper and lower houses, and the rally proclamation was read to the group during the meeting." (quote from Shinshinto sources)

The rally proclamation obtained by this magazine starts by reading, "A look at the domestic and international situation reveals that our nation has been placed in a critical position from which it literally cannot recover," and laments the inaction and lack of policy on the part of the Murayama government in the areas of financial and diplomatic policy. It, then, quickly shifts to the hope that it places in Ozawa, by stating, "If we are to return to the origin of our party wherein party policy calls for fundamental reform of domestic and foreign policy, there is no other individual but Ichiro Ozawa who can avoid this unprecedented crisis and exercise leadership which will lead our nation to peace and prosperity. Our sense of crisis is exceptionally strong."

A mid-level parliamentarian of the Shinshinto testifies, "The key members of the new Ozawa support group consist of four confidants of Ozawa; namely, Toshihiro Nikai, Kenji Yamaoka, Sadao Hirano, and Taiichiro Nishikawa. Most of them are junior parliamentarians with less than three years of seniority. I hear that they have already held several meetings in support of Ozawa."

The Shinshinto party leader elections will be declared on 16 December and the ballots will be counted on the 28th. The Ozawa support movement has exploded across the scene, as the current party president Toshiki Kaifu displays a desire for reelection and as the current deputy president Tsutomu Hata also expresses a desire to run as a candidate for party leader.

Moriyoshi Sato, former director-general of the National Land Agency and close ally of Ozawa for many years displays enthusiasm in saying, "I am overwhelmed by expressions of support for Ozawa as party leader. They include about 30 members of the financial industry. Within our party (Shinshinto), there are more than 20 members, both old and young parliamentarians, who express support for Ozawa. I don't have a thorough understanding of his ailments (heart problems), but two or three hours of sleep in the afternoon should take care of that issue and I think he should run as a candidate for party leader under all circumstances. If he cannot run as a candidate, it would be better that he give up his political career."

Support for Ozawa is especially strong among first-year parliamentarians.

"Today is a historical turning point which follows the Meiji Era and defeat in World War II. Ambiguous tactics are inapplicable. What we need now is an individual who can deploy bold ideas and bold actions; Ichiro Ozawa is the only one who can serve in that role. I would like to see him serve as prime minister even for a year as a substitute for the sluggishly performing Murayama. We have many sympathizers and we would like to see that he is persuaded into running as a candidate for party leader." (Yoshihito Iwasa)

One wonders what expectations are concealed behind this sudden mounting of enthusiasm for the dark-horse candidate.

The political department desk of this magazine comments, "The situation is clearly indicative of the degree to which the Ozawa faction has been pushed into a corner. If the party leader election is limited to a contest between Hata and Kaifu, Hata will be at a clear advantage. Recently, Hata has confided to party members, 'If I

become party leader, I will not make Ozawa secretary-general. I would like to appoint Funada (Hajime) to the position.' Hata is expected to announce his formal candidacy around 4 December, but he plans on being accompanied by Funada during that announcement.

"Ozawa would be satisfied with a Kaifu or Hata party leadership, but he would in no way accept rejection from the post of secretary-general. He figures that the movement in support of his party leadership will serve to restrain Hata."

At one time, Ozawa and Hata were on a honeymoon, but they now try to avoid each other.

It Was Hosokawa Who Urged Hata To Become a Candidate

"Hata-Hosokawa (Morihiro) conferences were held in August and October. The location was Hosokawa's villa in Karuizawa. Hata lost miserably in the January election for party president, because Ozawa supported Kaifu. Subsequently, Ozawa and Hata did not communicate with each other and Hata's distrust towards Ozawa grew in intensity. At that point, Hosokawa strongly urged Hata, If the current trend continues, the Shinshinto will face a steady decline. You should post yourself as candidate in the December party leader election."

"That comment by Hosokawa served to decisively influence Hata concerning his candidacy. Subsequently, Hata's actions concerning party leader candidacy were altered." (comments by reporter of this magazine's Political Department)

Hajime Ishii, former minister of home affairs and self-appointed chief of staff to Hata, bluntly states his views of Ozawa, by saying, "He has several aspects which disqualify him for the position of secretary-general. As an example, he does not make an appearance at important party meetings such as the general or the directors' meetings. Moreover, concerning elections plans, the situation is such that candidates have been designated for only 203 of the 300 electoral districts. Even during the Saga prefecture elections for the House of Councillors, the party lost, dispelling the myth that Ozawa is potent in the conduct of elections. Moreover, there are those who say that the party suffers from an unfavorable image because of Ozawa."

On 25 November, even Hata formally criticized Ozawa to a considerable degree by saying, "He fails to conduct frank discussions with other parliamentarians. Being a new party, he needs to aggressively make personal appearances at gatherings and failure to do so can have a negative impact."

The previously mentioned Ishii comments on the complex internal situation within the Hata camp by saying, "A variety of views exists even among us 60 or more members of the former Shinseito. There are those who support Ozawa for the position of secretary-general, as well as those who say that the current executive team needs to be replaced completely. However, among former Komeito and former Japan New Party members, there are those who are critical of Ozawa. That is why Hata has no choice but to speak of "excluding Ozawa" as a means to secure their support."

Those who rose against Ozawa were not limited to former Prime Ministers Hata and Hosokawa. Yuichi Ichikawa, who was once reported as part of a closely associated Ozawa-Ichikawa team, in terms of the former Liberal Democratic Party (LDP) secretary-general and former Komeito secretary-general respectively, recently complained to close associates, "Ozawa is totally lacking in human qualities."

One media reporter assigned to cover the Shinshinto states, "During the September personnel shuffle, Ichikawa was relieved of his duties as political affairs committee chairman, but the procedures were reportedly undertaken in a very inhumane manner. That personnel action was followed by much friction between "Ichikawa and Ozawa." As far as Ichikawa is concerned, he feels upset because Ozawa is going over his head in dealing directly with the Sokka Gakkai, even though it was he who introduced Ozawa to the Sokka Gakkai."

Ichikawa is reinforcing his "ties" with Hosokawa, including Hata as part of a triangle, and has completely "surrounded Ozawa."

On the other hand, the question is, what sort of move is the Kaifu camp plotting, just as it is being talked about as possibly moving to creating "a second Yohei Kono (turn one's back to the enemy)."

"Kaifu will run (as party leader candidate) and intends on winning. However, it is fact that there are no particular supporters within the party. There are no basic votes in support of him, and Ozawa is the only possible supporter. Currently, no friction exists between the two.

"The fact that Kaifu has a direct line of communication with the Sokka Gakkai is not commonly known. Among the three former prime ministers of the Shinshinto, Kaifu is the most popular when they walk into a former Komeito parliamentary support meeting. For some unknown reason he gets along well with Sokka Gakkai members. I believe the Sokka Gakkai will not alter its position of supporting Kaifu to the very last stage of the party leader election." (according to a source close to Kaifu)

Needless to say, the popularity of Ozawa within the Sokka Gakkai remains strong.

"Whenever Ozawa attends a Sokka Gakkai party meeting, a significant effort is made by party sponsors. The master of ceremonies spare no effort in addressing him as Our Secretary-General Ozawa!"

"Sessions to produce commemorative photographs become lengthy sessions, but Ozawa goes out of his way to play a role in such sessions." (source well-informed on Sokka Gakkai affairs)

The Sokka Gakkai, which is considered as having a major impact on the outcome of any party leader election, currently appears to be taking a neutral position.

"Presently, we have received no instructions. The party is having enough problems with its internal organizational affairs, and does not have the time to concern itself with the Shinshinto party leader election. And, even if the Sokka Gakkai is to make a move, it can do so after the formal announcement of the election." (Sokka Gakkai source)

It was Hosokawa who originally proposed the party-leader election system and it was in October that Hata agreed with the idea. In the end, even Ozawa, who was initially opposed to the idea, reluctantly approved, leading many political sources to assume the view that the system is advantageous to the Hata camp.

Individuals eligible to vote in the party election are national parliamentarians, party members, party associates, and members of the general public who are 18 years or older and who have paid a 1000-yen participation fee. It could be considered an epoch-making election calling for the participation of the general public, but political reporters mention problems with the system in commenting, "In reality, it is not a system which provides for easy participation by the general public. Ballots will be distributed in the quantity of 10,000 for each of the roughly 400 regional chapters, but they are actually distributed through the support groups of the national parliamentarians. In the end, the election outcome will be determined by the number of parliamentarians a candidate controls."

At the present time, it is difficult to predict the outcome of balloting. Reportedly, if candidates are limited to Kaifu and Hata, Hata enjoys an absolute advantage, but if Ozawa becomes a candidate, the former Shinseito "will split right in the middle." (source at the Political Department desk of this magazine) Further, if Ozawa should become a candidate, there is a possibility that a mood will mount to give him one chance since he has never served as party leader in the past. However, the elections will be conducted with the Hata camp

taking the initiative including television debates and street corner speeches, while Ozawa is plagued by the potential hazards of heart disease.

Will Ozawa Really Run as Candidate?

Ozawa himself on 25 November at a press conference held in Tsu city, Mie prefecture, bluntly replied to a question, saying, "I have no plans to participate in (the party leader election)."

According to a reporter on the scene, Ozawa who normally makes a special effort to be cheerful during regional visits, displayed unusual fatigue on that day.

Moriyoshi Sato, who reportedly talked to Ozawa for about one hour recently on the subject of running as a candidate, described the discussions by saying, "I used considerable emphasis in explaining, Today's Japan needs your leadership. You should become the party leader. How long do you intend to remain as party secretary-general?" I spoke with such enthusiasm that the individual sitting nearby was surprised.

"However, Ozawa steadfastly insisted, I have no desire to do so.' I am not a man qualified to be party leader. Yours is an overly presumptuous position.' I guess he was being modest. When I asked, Who should become party leader?' he would become dead silent and provide no response. He's that kind of individual."

Kenji Yamaoka, who plays a central role in support of Ozawa, is desperate and states, "I plan on asking Ozawa to run as a candidate under all circumstances."

On 28 November, at an unspecified hotel in Tokyo, a meeting was held (tentatively titled,) "Meeting to Support Ozawa for Party Leader." According to parliamentarian Kenzo Yoneda who attended the meeting, "About 20 members of the upper and lower houses showed up for the meeting. In the past, small groups were formed to promote the Ozawa candidacy, but the meeting was held with the idea of formally launching such a movement. Needless to say, Ozawa himself is aware of the movement, but has made no comment so far."

Hiroshi Kumagai, former chief cabinet secretary and confidant of Ozawa, provides an analysis in commenting, "Ozawa is more suited to become a party leader rather than secretary-general. He does not listen to views expressed by others, and does not concern himself with positions taken by others as well as the welfare of others. He himself says nothing, but internally I believe he is considerably swayed towards the idea of it may be OK to run.' This represents my superficial observation."

Will Ozawa really run as a candidate?

"Ozawa looks like an individual who has no desire to fill a key position, but is a politician who cannot survive without occupying a critical political position. If he comes to the conclusion that Kaifu would lose in the party leadership election, he would quickly abandon his long-standing political style and become a viable candidate." (former Keiseikai source)

We see a sudden emergence of a new pro-conservative approach amidst such turmoil within the Shinshinto.

One major leader of the LDP, scornfully viewed the internal conflict within the Shinshinto and declared, "Ozawa will prevail as the leader of the Shinshinto to its very end. Who else is there to fill that role?"

Visions of Nation by Hashimoto, Ozawa Compared
962B0007A Tokyo SHUKAN GENDAI in Japanese
23 Sep 95 pp 48-51

[FBIS Translated Text]

The "Normal Nation" Envisioned by Ryutaro Hashimoto Endangered by Ichiro Ozawa

Previously, Hashimoto and Ozawa were ranked equally in the former Takeshita faction with the "Ichi[ro]-Ryu[taro] War." Time has passed and they now have come to see each other as the heads of the No. 1 and No. 2 parties. The two have many similar elements in policy and political methods. Studying in detail the speech and conduct of Hashimoto and Ozawa who are mutually conversant in the same Hawk faction, there is concern about the direction in which they inevitably will lead Japan.

Making Hollow the True Intentions of the Super-Hawk Faction Solidified by Pomade

Allusion to "Partial" Coalition Also "There is a possibility of a partial coalition to promote specific policy."

Minister of International Trade and Industry Ryutaro Hashimoto, who was checkmated on the position of Liberal Democratic Party (LDP) president, thus answered when questioned on the possibility of a conservative-conservative coalition at a press conference for his candidacy on 21 August.

If a "Hashimoto presidency" which surfaced due to the resumption of an LDP character were to be realized, the natural outcome probably would be that the LDP would strengthen its hawkish faction course and inevitably distance themselves from both the Socialist Democratic Party of Japan (SDPJ) and the Sakigake. As a result, the next general election inevitably will become a "hawk

faction showdown" between a Hashimoto LDP and the Shinshinto led by secretary general Ichiro Ozawa.

Nevertheless, the Shinshinto also is in a flutter at this lip service by Hashimoto to "a partial coalition" with the Shinshinto which should be the immediate enemy. From the beginning, acting secretary general Kozo Watanabe has stated that "A coalition can be formed if it is Hashimoto." Recently, Ozawa and deputy party chief Tsutomu Hata also have alluded to a partial coalition with a Hashimoto LDP. In a newspaper interview on 6 September, Former director general of the Economic Planning Agency, Hajime Funada, a young controversialist, stated that "We will have to fight in a House of Representatives election under the present framework, but depending on the election results, there probably will be circumstances where we will cooperate with Hashimoto," affirming that the birth of a conservative-conservative coalition is not far off.

Political commentator Masaya Ito says thus, "If Hashimoto were to bring out the individuality of the LDP, the party that will form a coalition would only be the Shinshinto, not the SDPJ or Sakigake. That is because its policies on becoming a permanent member of the U.N. Security Council, removing the freeze on PKF (peacekeeping forces), issuing deficit bonds for economic recovery, and freezing land value taxes are the same as Ozawa's Shinshinto."

In the fall extraordinary session of the Diet scheduled to open on 29 September, the LDP-SDPJ-Sakigake coalition is scheduled to spell out economic countermeasures on the scale of 10 trillion yen as the second revised budget. However, they are in opposition to the SDPJ and Sakigake which have shown reluctance concerning revenue sources on issuing deficit bonds and freezing land value taxes and rather their opinions are in agreement with the Shinshinto which has cited the same policy and that will inevitably become the first step toward a conservative-conservative coalition.

Political commentator Hisayuki Miyake has a similar opinion, "There probably will be no immediate breakup with the SDPJ, as Hiromu Nonaka (former Home Affairs minister) of the former Obuchi faction which has shouldered Hashimoto, says, 'We cannot join hands with the Shinshinto.' However, there certainly also is the opinion as his close associate Kanezo Muraoka (former Transport minister) who states, 'Viewed over the mid-to long-term, we cannot compromise with the SDPJ if we are to bring out the character of the LDP. There is no need to fear a split between the LDP and SDPJ.'"

Former secretary general Seiroku Kajiyama, who is the self-appointed guardian of Hashimoto, says that "Even if Hashimoto becomes president, I don't know whether

he can become prime minister." The way he puts it is that Hashimoto's turn as prime minister is slim under the framework of the current regime and a conservative-conservative coalition is obligatory for him to obtain the position of prime minister since the SDPJ and Sakigake will distance themselves the more Hashimoto brings out the character of the LDP.

Such a coalition of a Hashimoto LDP and Ozawa Shinshinto is rapidly taking on the character of reality. That is because with this situation, there are many common points in the orientation of Hashimoto and Ozawa who lead two big parties.

Inherently there are some slight differences between the two in age (Hashimoto is 58 and Ozawa is 53) and number of times elected (9 times for Ozawa as opposed to 11 for Hashimoto), but since their first election, they have been in the same factions, the former Tanaka faction and the former Takeshita faction. Since Hashimoto has devoted himself to policy while Ozawa has devoted himself to faction and party matters, there has been no place for a direct clash. Moreover, "There is no axis of opposition between Ozawa and Hashimoto concerning national image or becoming a permanent member of the U.N. Security Council, and they are nationalists who have been charging ahead with national goals. In addition to that, they are strong leaders and their political styles also closely resemble each other." (previously cited Miyake)

For example, at the time of the Gulf War that broke out in 1991, Japan provided funding assistance to the multinational force amounting to 9 billion dollars, but the two were in total agreement at this time. At the time, Hashimoto was minister of Finance and Ozawa was secretary general of the LDP. The two, who had forced the acquiescence of Prime Minister Toshiki Kaifu (at the time) who was reluctant about aid, were said to have agreed on the perception that "Kaifu is no good. He doesn't understand anything." Moreover, last year, at the time of the Hata regime which had slipped to a minority ruling party, it is also a fact that Ozawa made an approach aimed at "a Hashimoto premiership" in order to remedy the situation.

Actually, Hashimoto revealed to close associates that "The way that I and Ozawa think is almost the same. The only difference is whether or not the Self Defense Forces should contribute militarily." Ozawa also, at a press conference in Okayama Prefecture on 27 August, gave encouragement that "Hashimoto-sensei previously was in the same group and I have engaged in political activities with him as his junior. I think that he is an admirable senior." On the same day, both men, who were together on an aircraft returning to Tokyo,

exchanged greetings and even shook hands with each other. It seems that their split after opposition within the faction two years before and even their blood grudge which progressed to leaving the LDP has diminished.

Hashimoto Sensitive About Yasukuni Shrine and War of Aggression

So, they are two men who are similar in orientation and political style, but investigating in detail the speech and action records of the two, a surprising fact is noted. Ozawa, who generally seems to be in the Hawk faction, seems to pale in comparison to Hashimoto.

In the case of Ozawa, he is in the Hawk faction such that in the report of the "Special Research Committee Concerning The Role Of Japan In International Society," the so-called Ozawa Research Committee, he seeks the overseas dispatch of SDF under the current Constitution and serves as chair of the "Japan Strategic Research Center" where a lineup of several big shot OB from the uniformed SDF group are officers. That Ozawa is famous for developing the theory of the "normal nation" in the book he authored "Plan for Rebuilding Japan." In it, Ozawa develops the following pet theory about the Constitution and international contribution:

"Even in the current Constitution, I think that it is possible to offer the SDF to the UN as a UN standby force and let them engage in activities locally abroad."

In other words, he advocates the "Constitution revised interpretation theory," or in other words, an expanded interpretation of the meaning of the text, where the addition of new provisions to Article 9 of the Constitution or keeping the Constitution as is and creating the Basic Peace and Security Law as a separate law is all right since peacekeeping activities are not "a war due to invoking sovereign rights" which the Constitution prohibits.

Then, regarding his view of war, he asserts that "Even if the people are 99 percent convinced that it is righteous, waging war by giving it the value of "a righteous war" is impermissible."

On the other hand, Hashimoto so far has made an official visit to Yasukuni Shrine on 15 August every year and also in May two years ago, he was appointed chair of the Japan Association for the Bereaved Families of the War Dead, and also joined the LDP 50th Anniversary of the end of The War Diet Member Federation. This Diet Member Federation is a Hawk faction group which has acted from a standpoint of opposition to reflection and apology for a war of aggression concerning the problem of the recent Diet resolution on the 50th anniversary of the end of the war. In addition, when former Prime

Minister Morihiro Hosokawa stated that "That war was a war of aggression and a wrong war" in a press interview when appointed prime minister, Hashimoto lashed back, "I absolutely cannot accept it. It is a sacrilege to the spirits of the war dead."

In interpellations in the House of Representatives Special Committee on the Tax System in October last year, he also stated that "If it is alleged that perhaps there was aggression against that region, as an issue of the definition of words, I think that it becomes a rather fine point as to whether or not it necessarily was aggression," and an expression of regret was made by South Korea.

An LDP source also presents this episode. "Since Hashimoto was young, it has been his custom to get out of the car when he passes in front of Yasukuni Shrine and worship. He still often engages in this custom."

The Constitution Should Be Reviewed

That Hashimoto makes this reiteration of Ozawa's Constitution reinterpretation theory in "Vision Of Japan" which he authored.

"Concerning debate as to whether or not the SDF can act as an armed group if within the U.N. framework, for example, I, frankly speaking, think that there is a problem there under the Constitution. In other words, I, myself, have the standpoint of not supporting the so-called "Constitution reinterpretation theory" of changing the interpretation of the Constitution to suit the convenience of individual situations. However, I am a person who believes that PKO activities must be carried out. Moreover, I believe that Japan must cooperate in PKF activities if necessary."

Then, in "On Recovering Political Power" which he authored, he even asserts that "If the Constitution does not even permit this 'human contribution,' including the SDF, I think that the Constitution should be reviewed."

In short, he is probably advocating that the Constitution be changed in order for the SDF to make an international contribution if under the name of the United Nations, while presenting doubts about a so-called "normal nation" which has adequate weapons.

Furthermore, although Ozawa has the inclination of becoming a permanent member of the U.N. Security Council, he has stated as the premise that "We should do everything possible after reforming the United Nations. Japan should aggressively participate in the reformation."

In a press interview in September two years ago, he advocated that the timing was premature, saying that "Until Japan aggressively seeks world understanding about

permanent membership, the various other preparations are unnecessary."

However, at a press conference declaring his candidacy in the presidential election, Hashimoto was considerably aggressive in intentions to become a permanent member, saying that "We will occupy a permanent member seat in the Security Council and play a responsible international role centering on the United Nations."

The words "normal nation" are famous due to Ozawa's proposal and there now is the view that they have become common nouns. Although Hashimoto does not use these very words, looking over the record of Hashimoto's speeches and actions, it probably can only be said that he orients "normal nation" in its original meaning no different from the United States and Great Britain.

Borrowing the words of Hashimoto to explain, with the U.S.-Japan security system as an axis, we are extricating ourselves from trader nation and guardian of the world cash box who settles matters by cutting a check, and funds aggressively will be invested centering on the United Nations, not to mention SDF members. Moreover, since this is a problem legally under a reinterpreted Constitution, even the Constitution should be changed. This probably should fulfill our responsibility on par with permanent member nations including the United States.

Government That "Forces A Burden On The People"

It is Hashimoto who is the owner of this by far more dangerous orientation than Ozawa in the Hawk faction and Diet member Nobutaka Machimura who is close to Hashimoto shields him, saying that "Hashimoto originally was in the Dove faction in the Health and Welfare zoku with welfare problems as his forte. I have never directly heard him say that we should revise the Constitution. I don't understand it being said that he is in the Hawk faction itself."

SDPJ Policy Board chairman Nobuyuki Sekiyama, perhaps not seeing such an intrinsic quality, also defends this, saying "Ozawa's Hawk faction issue is because he is very intense and that Hashimoto, coming from the former Keise-kai, also is the same is too short-circuited. Compared to Ozawa, isn't he in the Dove faction? The post of chairman of the Japan Association for the Bereaved Families of the War Dead probably has created his Hawk faction image."

However, Sakigake Diet member Susumu Yanase gives this candid advice, "For example, the timing is premature for becoming a permanent member of the Security

Council. Rather than that, it is necessary to make a system which can solidly create a strategy for Japan's foreign policy."

Former chief of the Cabinet Public Relations Office Yoshihiro Kaneko points out a difference between the two that "Ozawa is a realist and knows the techniques for using the bureaucracy and his skills for accomplishing his own objectives is recognized. On the other hand, Hashimoto thoroughly keeps principles like a student. If he brings up revision of the Constitution, he will calmly push ahead even if people who will not follow him appear. Although the strategy of the two to proceed on a Hawk faction course is the same, the tactics differ."

Moreover, in his own book, Hashimoto develops the argument for reviewing the Constitution, asserting that "It is strange that only rights are written in the Constitution and in terms of obligations, only the obligation of paying taxes is written," and in short, he seems to want to say that the people still are not making enough of a sacrifice for the nation. The idea can be glimpsed of aiming at a nation that forces a burden on the people.

Stories have been going around making Hashimoto's soft mood prominent, such as, perhaps concerned about such indications, Hashimoto's close associates recently have been saying that "It is Hashimoto that has unified the Japan Association for the Bereaved Families of the War Dead so that the Diet resolution on 50 years after the war will be approved."

Moreover, Prime Minister Murayama also has commented that "Both are stubborn and pushy, but Hashimoto is not as self-conceited as Ozawa."

"For the past few years, there has continued to be a prime minister with no leadership and it is feared that an atmosphere will be created of waiting eagerly for a hero because of the cloudy future. Viewing the matter of visiting Yasukuni Shrine, Hashimoto is not swayed by the opinions of people around him or public opinion and is not predisposed to democracy on this point. Under such circumstances, I am very uneasy about the birth of President Hashimoto and then Prime Minister Hashimoto playing upon national psychology that desires the appearance of a hero." (Assistant Professor Hitoshi Igarashi, Hosei University)

There are many examples in history of a nation being endangered by a politician who has dragged the nation along with his self-conceit, sticking to his own opinions.

Hashimoto Urges Disclosure on Bailout Issue

OW2212043995 Tokyo KYODO in English
0430 GMT 22 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO — Information must be disclosed to win the people's understanding on the government package to use public money to liquidate housing loan companies, trade minister Ryutaro Hashimoto said Friday [22 December].

"The government should make efforts to unearth what actually happened. For that purpose, I want the Finance Ministry to step up information disclosure," Hashimoto, minister of international trade and industry, told a news conference.

"That would help the government win people's understanding on its decision" to use public money, Hashimoto said.

Public anger has been mounting over the Finance Ministry's plan to use of 685 billion yen in general account funds in a scheme to liquidate seven mortgage loan companies.

The taxpayers' money will go toward financing 6.41 trillion yen in losses expected to emerge from the liquidation of the seven mortgage firms.

Hashimoto said the concerned parties should maximize their efforts to recover loans under the liquidation package, rather than easily going for public funds.

Hashimoto acknowledged he was once concerned that the decision to use public money would be taken in the international financial community as a guarantee by the Japanese Government to cover losses associated with problem loans.

"But that concern appears wiped out in light of positive reaction by the United States," Hashimoto said.

Hashimoto said U.S. Treasury Secretary Robert Rubin, in recent talks with Finance Minister Masayoshi Takemura by telephone, showed "a very positive appreciation" of the step.

LDP's Kato Urges Prosecutions in Housing Case

OW2212040095 Tokyo KYODO in English
0324 GMT 22 Dec 95

[FBIS Transcribed Text] Tokyo, Dec. 22 KYODO — A senior official of the dominant partner in the ruling coalition, the Liberal Democratic Party (LDP), called Friday [22 December] for criminal prosecution of both lenders and borrowers involved in the collapse of Japanese mortgage loan companies.

"People will not be convinced (of the need to use taxpayers' money under a liquidation package) until borrowers such as real estate brokers and the top executives of financial institutions held responsible (for the bad loans) are brought before prosecutors and put behind bars," LDP Secretary General Koichi Kato told a commercial radio program.

Kato said all seven collapsed housing loan lenders should be dissolved and agriculture-related financial institutions streamlined.

The Finance Ministry has mapped out a program calling for the injection of at least 685 billion yen in taxpayers' money to help write off 6.4 trillion yen in nonperforming loans from the mortgage loan companies.

In a related development, a government spokesman said Friday that relevant cabinet ministers will soon meet to discuss the issue of responsibility, aiming to decide necessary measures by the end of the year.

Chief Cabinet Secretary Koken Nosaka said the measures might include strong efforts to collect the housing lenders' bad loans, and the cutting of retirement pay for the firms' executives.

However, he dismissed suggestions that Finance Minister Masayoshi Takemura should take responsibility for the crisis, saying that Takemura — who has been in post only since last June — has simply tried to solve the issue.

Takemura Rejects Resignation Over Bailout

*OW2212044195 Tokyo KYODO in English
0429 GMT 22 Dec 95*

[FBIS Transcribed Text] Tokyo, Dec. 22 KYODO — Finance Minister Masayoshi Takemura said Friday [22 December] that he has no intention of resigning over the controversial issue of liquidating housing loan companies by using public funds.

Takemura said at a news conference after a regular cabinet meeting, "my responsibility is to complete a specific liquidation scheme for the housing loan firms as well as finalizing budget compilation" for the next fiscal year.

The finance minister reportedly told executives of the Federation of Economic Organizations (Keidanren) on Thursday that he would blame himself strictly for the mortgage crisis.

The government decided Tuesday to use 685 billion yen in general account funds under the fiscal 1996 budget for a basic scheme to liquidate seven of Japan's eight

ailing housing loan firms, a step that brought an angry public reaction.

Takemura said that during Friday's informal ministerial gathering after the cabinet meeting, several ministers pointed to the need for examining both corporate management and administrative responsibility of the financial authorities for allowing the home mortgage companies to amass huge amounts of bad loans.

Takemura sounded negative toward urging bureaucrats concerned to step down over the issue, saying, "the administration should first properly dispose of the problem in a forward-looking way."

He also ruled out asking former ministry bureaucrats to take responsibility for previous policies leading to the birth of the inflated-asset "bubble" economy in the latter half of the 1980s and its collapse in the early 1990s.

Article Examines Details of Daiwa Cover-Up

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[Article by BUNGEI SHUNJU Editorial Department: "Defendant Toshihide Iguchi's 'Confessions' Scooped; Full Details of Modus Operandi for Cover-up Operations Revealed"]

[FBIS Translated Text] In dealing with the Daiwa Bank case, in which a loss of 110 billion yen was recorded from illicit business operations of an employee at the bank's New York branch, the U.S. Federal Reserve Board (FRB) on 2 November, with the concurrence of Daiwa, announced it had suspended the bank's U.S. operations. The bank first learned about its losses on 24 July 1995 when bank President Akira Fujita received a letter of confession from Toshihide Iguchi, a dealer in the bank's New York branch. That same day, prosecutors from the federal government's New York Southern District office brought charges against Daiwa for deceiving the Federal Reserve Board.

The BUNGEI SHUNJU editorial department, which thought this was a serious incident that represented differences in the basic economic thinking between Japan and the United States, has since conducted its own investigations on this case from its offices in Tokyo, Osaka, New York, and Washington. BUNGEI SHUNJU has succeeded in securing — from Daiwa officials who agreed that the incident was serious — copies of the confession from Iguchi, a business diary of the bank's New York branch office, and internal bank documents detailing the actions the bank took after the matter became known.

Following Iguchi's initial confession letter, we have discovered that he wrote four more letters detailing the

modus operandi of his actions. In his first letter he reported that "his dealings in the New York branch on the U.S. Treasury resulted in a total loss of about \$1.1 billion" and that "this loss was covered up by selling investment securities (from Daiwa's New York branch) and selling Treasury securities that customers had put in the bank's custody." In addition, Iguchi proposed in that letter that this problem be kept secret until Daiwa and Japan's Finance Ministry had time to take appropriate actions. Citing the reason to keep it secret, he wrote: "If this matter becomes public to American authorities, it will become very difficult for the bank — from a legal perspective — to continue its U.S. operations. Now that the bank has in fact been ordered out of the United States, Iguchi can be said to have had a cynically cool capability to see into the future.

Following this, Iguchi sent a second letter to the bank president. This time he once again urged him to cover up the matter, asserting:

"I can very clearly say, having had the experience of an inspection by Federal authorities in 1993, that the possibility of this becoming discovered in the United States is zero if we buy back securities to fill the shortfalls (in the U.S. Treasury securities)."

Daiwa officers, who believed in this scenario, proceeded to cover up the matter, with Iguchi personal involvement. Initially they requested Iguchi's advice on methods to insulate the bank's New York branch from the problem as well as ways in which Daiwa could hide the losses. Accordingly, Iguchi on 25 July wrote his third letter, this time to bank Vice President Kenji Yasui. In that letter, he proposed ways of hiding the \$1.1 billion loss, and warned that the account books of the bank's New York branch should never be tampered with — in order to discourage any attempt by justice authorities to inspect them.

Hiroiyuki Yamanori, the bank's executive director, and Masahiro Tsuda, New York branch manager, met with Iguchi at New York's Parklane Hotel in late July. They asked Iguchi to write a letter explaining the \$1.1-billion loss as the first step in discussing specific ways to cover it up. A letter presented by Iguchi shortly afterwards at this group's next meeting was the fourth confession. In that letter, Iguchi explained in detail the modus operandi of hiding his misdeeds and the state of business operations at the branch, and revealed fastidiously how sloppy Daiwa's internal audit system was.

At that time Daiwa officers confirmed the existence of the \$1.1 billion loss by comparing monthly reports of Bankers Trust Company (BTC) with the branch's falsified monthly reports, copies of which had been brought by Iguchi. Of the total shortage, about \$599

million was found to have involved short-term U.S. treasury securities held by the bank's New York branch, and about \$134 million involved U.S. treasury securities owned by Daiwa. The balance of about \$377 million involved treasury securities that belonged to Daiwa's customers and was supposed to be in the bank's safe custody.

Daiwa officers learned the complete story from this fourth letter. Executive Director Yamanori was alleged to have told Iguchi at that time to destroy the computer disc he used in writing the letter. Later, in early August, Branch Manager Tsuda ordered Iguchi to write up a report excerpting his previous letters and covering only the parts describing his unauthorized dealings and details of the loss incurred. That was the fifth letter.

Have Inspections Been Done Properly?

That is the story of how the five confessions came to be written. In view of the history of how these came to be written and of the relative importance of their contents, we have decided to introduce here the full text of the fourth letter, considered most important of the five letters, and then to dwell on the state of the branch's business operations at that time. By doing so, we think we should be able to better understand the general conditions of Japanese financial institutions, many of which started to do business overseas after the government liberalized financial business operations. In addition, we hope to learn more about Daiwa operations in general.

One officer of a foreign-investment bank, who read these letters, said in amazement: "It is unbelievable that a bank ranking 17th in the world in total deposits would leave internal management in such a irresponsible state. If what is written is correct, then the bank should be thankful that the matter ended there. Their management is as shoddy as that of a street broker." That makes us wonder whether what he said is something that can be only attributed to Daiwa. We will have to let the future find an answer to that question.

Full Text of the Fourth Letter — Confession 1.
Mostly, I traded in index issues [shihyo meigara] of T-Bonds that belonged to the operational area of the New York branch. Over a period of 10 years over 39 firms did business with me; at times I was dealing with as many as 12 firms at once. Trading was all done by phone, and the firms that did the most business with me had a direct line with the branch office. After Cantor established a direct line in 1987, Morgan Stanley, Shearson Lehman, Citi-Bank, Kidder Peabody, Drexel Burnham, and Bache (all securities firms) followed. 2. As for the

form of trading, initially I did the selling (or buying) based on the rule of doing corporate settlement [preceding two words in English] (settlement done five business days later). I did the covering [hantai torihiki] by the afternoon of the settlement day, and completed the settlement by clearing vouchers for net amounts [preceding two words in English] (final settlement) on that last day. If there was a profit, the other trading party paid in the difference into Daiwa's account at the BTC. If there was a loss, the branch office paid the difference into the BTC. Until the New York branch moved its office in 1980, remittance was done through the branch's Remittance Section. In those days, the work of reconciling [preceding word in English] settlements was done by the accounting section. As I had almost 100 outstanding accounts in those days, no one complained even if differences in receipts and remittances related to business dealings were left as outstanding [preceding word in English] for several weeks in the deposit account at the BTC. If the sum of the outstanding amounts came to several million dollars and the sum of them was on plus side, I bought T-bonds with it. If the sum was on minus side, I then sold T-bonds, and asked clerks in charge of reconciling to use the money obtained from selling the bonds to offset all the balances. If there were some balances still left even after taking the offsetting action, I had that left as outstanding.

This part of the letter reports on how he traded U.S. Treasury securities (U.S. government bonds or public bonds). Iguchi started to work for Daiwa in 1977, employed as a local trader. By 1984, he had the authority to trade U.S. public bonds as a representative of the bank's New York branch. He handled only what were considered then the highest criteria issues, and the firms he did business with numbered 39 over the span of 10 years. A finance-related official in New York commented, "That was a normal way of doing business then, but Iguchi was known for dealing with only selected companies. Now I see how many companies he worked with."

In trading the public bonds, however, he was taking more pains in balancing the books than in making profits. By the end of the five business days given for settlement of selling, he bought the equal amount of public bonds to bring back the volume of the public bonds to the previous volume. If profits were made, they were paid into the account (account number 053110) at the BTC which was holding the public bonds owned by Daiwa. When losses accrued, he had the branch office's remittance clerks send in the differences. If, as a result of these actions, the account books showed a net gain,

he bought more public bonds using the money, and if the books showed a loss, he sold bonds including those which have brought in profits — in order to minimize the balance. What was left after that was listed on the books as an outstanding balance.

Up to that point of the letter, we do not see any problems in his selling and buying actions. But the part of his statement saying "the work of reconciling (inspecting) settlements was done by the accounting section" will come to have a larger meaning later on. That means it is quite possible that already at that stage, the work of reconciling settlements was not done properly. That becomes even more apparent if we go on to read his next statement:

When doing reconciling [preceding word in English] in those days, the settlement day was completely ignored. As long as the amounts paid-out and received matched, offsetting could be done even if there was the lapse of two weeks in between, for instance. Where the Custody [preceding word in English] Section was concerned, as the paid-out amounts and the received amounts individually did not always match, the Custody [preceding word in English] Section clerks used to settle the accounts simply if sums of payments and sums of receipts matched. When the New York branch moved its office, the work of remitting money moved to the Downtown office. Subsequently, remittance was done through the BTC. Then, it was decided that the Midtown office cannot perform the work of reconciling settlements as it knew little about trading activities, and this work was taken over by the Custody Section. In those days, there were an average of 120 business dealings done with customers of the Custody Section in a day.

There were many cases of discrepancies being reported — ranging from those of a few cents to several thousand dollars — between the amount requested to be settled by customers and the amounts actually paid. If all these discrepancies were left as outstanding, there was no way of doing business for us. So, if the discrepancy was in the scope of a few thousand dollars or less per deal, we considered it individually as having been offset, and to leave only the total sum of the discrepancies as outstanding. Deposit accounts in those days were in fact very much like accounts of temporary borrowing and repayment. No one checked them.

Branch Office Was In Boundlessly Irresponsible Condition

In banks, the basic rule of bookkeeping is that it must be based on actualities. This means the most basic of all foundation rules in running a bank is to keep record

of all details of individual transactions including those on who sold (or bought) what, when and how much, and how each deal was settled. But, at Daiwa's New York branch, this basic rule was not heeded from those early days. When checking balances at the times of auditing, Daiwa did not raise issue even if payments into (or remittances out of) the bank were two weeks late. It did not care as long as sums of amounts paid-out and received matched eventually. Even when there were shortages in some particular issues of bonds on hand (because Iguchi had sold them without consulting anyone) — details of which will be described and discussed later —, the bank considered the differences as having been offset if the sums of the bonds matched.

In 1986 Daiwa divided up business operations of the New York branch between the Downtown and Midtown offices, and the branch's Securities department including Iguchi moved to the Downtown Office. But since checkups were supposed to be done by transaction settlement clerks, it could be said that the function of checking the balances was actually never performed. The aforementioned finance-related official in New York said: "If what is stated in the letter is true, we can naturally think that the checking function will not be functioning in their Japanese operations either. Participants in the international market are most concerned about that point. That concern has appeared in the form of Japan premiums [preceding two words in English]."

It appears that around that time, the volume of transactions started to grow, and customers' requests for the transaction settlement clerks to buy securities for them also started to grow. If there was a difference of a few thousand dollars or less between what a customer paid to buy securities and what the branch paid to buy them, the office did not hesitate to consider the amounts as having been offset. Indeed, as long as the total of the paid-out amounts and the total of the received amounts matched at the end, it did not matter much even if there were some delays in having the amounts match. But one can sense well from this report how lax the working condition of the branch office was. Now we will show you some excerpts from the business diary kept at that time, which describes how the branch's business was run in those days.

"8 August 1985, Thursday:

"Of late, complaints from customers are conspicuously growing, and we are very busy dealing with them. (passage in between omitted)

"Concerning the Treasury securities settlement day:

"There have been instances of failures to inform customers on settlement days, instances of informing same customers on settlement days twice, and instances of neglecting to inform customers on their failures to settle.

"Since the time our trading in the Treasury securities grew sharply, our section's policy has changed several times, and we think this has caused confusions among the customers."

"At present, our Treasury bonds are reconsigned to the BTC, and those bonds that are circulated rather frequently are given to the bank's Clearing [preceding word in English] department and the rest to the banks' Custodies [preceding word in English] department.

"(part in between omitted)

"We have given studies to ways of knowing accurate conditions of settlement.

"For instance, our customers are not happy if we want to delay notifying the status of settlement until the next day. They note that the next day would be actually two days late in Japan time.

"And as regards those handled by the Clearing Department, we have tried to excerpt from BTC-provided information the parts dealing with the conditions of settlement, and to provide that information to customers concerned. But we have found the BTC's daily information was not necessarily accurate. Failures [preceding word in English] reported in it sometimes turned out to be wrong. (Sometimes, the daily information was received at 6:00, but the settlement was done at 8:00) And some of the settlements, which were supposed to have been completed, later turned out to have failed [preceding word in English] in fact. Besides, since we did not know the status of how the bonds consigned to the Custodies department were settled, our efforts could not be complete. (passage thereafter omitted)"

"14 March 1986, Friday:

"There were three cases of settlement failure reported in the Treasury area: one deal of \$5 million with Wako Securities; and two with Nomura Securities of \$3 million and \$2 million each.

"Recently, on normal days, we have an average of 120 to 130 cases of T-bonds transactions to settle. In addition, there are so many customer requests to settle before scheduled settlement days. We are unable to cope with this workload, and there are increasing incidents of misplacing settlement requests as seen in the cases above. (passage in between omitted) This bank is unable to provide better service [preceding two words in English]. Actually, the quality of service is

only falling. If the present condition continues, forget about the automatization plan, even our routine work can get paralyzed. It is quite conceivable that we will eventually lose our customers.

"(passage in between omitted)

"Recording of T-bonds transactions on account books is done 12 days late. There is no way of finding out balances for customers, the bond issues to be reimbursed, etc.

"Almost all people here skip their lunches.

"I leave the office at 11:00." (There is a notation here from someone who appears to be a senior officer, saying the branch personnel should cope with the situation by working on holidays.)

"29 April 1986, Tuesday:

"Iguchi's personal (and frank) opinion:

"This branch office is in a boundlessly irresponsible condition. Few people want to know what condition this Securities Section — the branch's biggest source of income — is really in now. (passage in between omitted). Before the automation started this time, I had warned Takezawa, section chief, 'I am not so sure if I can follow the automation plan.' I was not talking about the automation plan itself. What I meant was that if we do the automation when we had our hands full even without the automation to be concerned about, additional strains therefrom would drive our business into an uncontrollable state. As a matter of fact, over the past month, Daiwa Bank Trust Company's (DTC) Settlement department has disintegrated completely. Caroline has quit; Jerry has been dismissed; and Phyllis is considering leaving.

"If Phyllis quits today, that will cause a major problem as this office would not be able to settle our custodians' [preceding word in English] stocks from tomorrow. Her problem is that she cannot leave her office until 6:00 everyday. She has no time to have lunch. Her phone rings all day long. She is so busy that she hardly has time to pause and have a deep breath. If one saw how she worked, he could easily see why she wants to quit. Recently, as there have been so many customers and brokers calling her to make inquiries, she has had to take her phone off the hook. (passage in between omitted)

"It appears the office does not want to understand the condition of this section, which brought in about 40 percent of its income in the first-half-year period. It is like having department manager Masuda and section head Takezawa cover up a bomb with their bodies simply for the reason that they are in charge of the organization. I can understand the positions of these

men, but I don't think I can act like them if I were them (passage in between omitted). I myself have to survive daily battles of the trading market, and I am happy I am not an administrative man. This section is going to explode. (passage thereafter omitted)"

One can see how lax Daiwa management was, by reading only a part of this business diary. One can see from the diary what cruel condition the office was in with its serious personnel shortage problem.

Continuing To Fall into the Trap of Cover-up Operations 3. Depending on market conditions, the position [preceding word in English] sometimes was not set off [preceding two words in English] within the five-business-day period, but a practice called dollar-rolling [preceding two words in English] — which enabled the settlement date to be delayed by a week from the initial settlement day — was used. This was a varied version of reposition transaction, wherein the interest payment was skipped by including reposition interests in the price instead. If the regular reposition system was used, the companies dealing with us would have to show in their account books our bank's name; however, if they were using the dollar-rolling system, they could record one transaction as two separate transactions. For instance, if I did not want to offset [preceding word in English] an account on the settlement day at the purchased position of 95, I would request dollar rolling on it. Then the trading party concerned will issue two tickets — one based on the price of the original settling date (price of 95, for instance) and the other based on the price of a later date (price of 94.90, for instance). This arrangement meant that the account was settled at the selling and buying price of 95, but that there was no payment made on that day as there was no difference between the two, and that the buying position at the price of 94.90 on the settlement day following the next five business days remained unchanged. Since coupon rates [preceding words in English] for the T-bonds were normally higher than the reposition rates (market rates), if dollar rolling was done in a buying position (preceding word in English), the cost [preceding word in English] would come down, and if it is done in a selling position, the cost would go up. Furthermore, if there were a major change in the market and the market turned unfavorable — for instance if the price had come down to 92 — I delayed paying for the loss by doing dollar-rolling. Otherwise, the bank would have to pay for the loss on that same day. When I wanted to go by that practice, some trading companies demanded application of market prices as basis of calculation, but

almost all parties accepted it if we gave the difference of 1 to 2 points.

Dollar-rolling, simply put, is something like doing a "jump" [preceding word in English] with regard to drafts. In other words, it is like "tobashi" [flying or transferring] done in the real estate and securities industries. Iguchi cited an example. If he had bought government bonds at the price of 95 and their price came down to 94.90 five business days later, then he would have settled the transaction at 95 ostensibly, but the actual payment of the difference was deferred to the last day of the next five business-day period. This means Iguchi kept on delaying clearing losses until his speculation paid off and made a big hit, and he had to hide what he was doing from other people all the time. The use of the dollar-rolling system does not constitute an illegal act. But as we stated earlier, the basic principle in bank bookkeeping is to make records on all individual transactions. If all the details of "tobashi" were recorded, there would be no problem. After all, people do "tobashi" in order to hide their losses. There would be no need to do dollar-rolling if one was willing to leave transactions on record.

According to news media reports, Iguchi started his cover-up operations after he first lost \$200,000 in trading of government bonds. It is not so difficult to guess that the loss ballooned to an astronomical figure after he started this dollar-rolling.

A local official in the securities industry said: "A regular U.S. company would not normally accept to do dollar-rolling. The people of the companies, which Iguchi did business with, used to play golf with him. They probably could not refuse it as they were so indebted to Iguchi for entertainment."

Iguchi thereafter delved further into the depth of the cover-up operations.

Possibility of Getting Exposed 4. Every time a deal was concluded, a confirmation [preceding word in English] note was mailed in from the other party. Until around 1985, confirmation notes were destroyed on the assumption that they were useless once settlements were made. In those days, no one thought about controlling risks that can come with trading in securities. People thought confirmation notes were something that could be used for checking only when a question was raised about settlement of some transactions. In addition to them, there were confirmation notes mailed in from the Custody Department's customers. It was an additional workload just to sort out all these papers. As such, no one thought there would be any problem if they were destroyed once settlement days on them passed. We began to keep

the confirmation notes only after 1985 — following an order from some place. Later on, the branch office began to check the confirmation notes at the instruction of Vice President Yasui. In 1988, the back office [preceding two words in English] moved to Midtown, but the confirmation notes continued to be delivered to the Downtown Office. So the notes were sent over to the Midtown office; however, I took out the ones that concerned me and kept them separately.

An officer of a U.S. bank's main office commented: "They kept on handling securities as though they were still in the 1970s. In the 1970s, dealings were performed on the basis of trust relationship. We rarely saw people fight over what they had agreed to or not agreed to. But in the banking industry of the 1980s, if someone destroyed confirmation notes, that was no ordinary matter. That was an incredibly sloppy way of managing business."

It is not clear when Vice President Yasui issued his instruction. But it can be guessed easily that even after the instruction was issued, the mailed-in confirmation notes were screened by Iguchi personally, and only those notes that had no problem for him were sent over to the Midtown office. We can see from his statement up to this point that the buying and selling of government bonds was done on Iguchi's own initiatives and that the office system enabled Iguchi to manipulate profits all by himself. 5. In 1989, the function of reconciling settlements in the branch was removed to the Midtown office, and the balancing of paid-out and received amounts became more difficult than before. However, no one particularly complained if I left balances outstanding for about 10 days. Until 1992, clerks in charge of reconciling at the Midtown office took care to clear accounts if the amounts corresponded in net [preceding word in English] terms even if paid-out amounts and received amounts did not match at all. After the Wind system was put into operation, voucher forms came to be changed. Under the previous system, vouchers could be fed in as long as sums matched, but under the new system, both debit and credit vouchers had to be fed in for each of the dealings. Since I did not have a countervailing account [bantai kanjo], I did my accounting through the transitory account at the Downtown office. There were always some balances, and they were left in the DTC's transitory account for a while. 6. When the buyer and the seller were the same company, the settlement was done by pairing off [preceding two words in English]. When the seller and the buyer were not the same company, the transaction was settled by delivering bonds. The branch's accounting clerk in 1981 thought my transactions did not need

to be recorded, and more than 10 people who followed him in his post thereafter raised no question about that. Around 1987, someone asked me about my transactions, but I remember I told him that recording was unnecessary because my deals represented credit-based debts [kashi sai]. When customers sold securities issues that did not exist [as they had been sold out by Iguchi], I needed to replace them with other securities issues before the settlement day. So, I had to follow and learn about the moves of the customers all the time. Since requests for settlement of T-bonds came in the morning of the settlement days, many times I had to trade on cash settlement basis on that last day. I was most concerned about the possibility of customers selling their bonds while I was away on leave. Until 1990, almost all the T-bonds that were absent were those that had belonged to general securities companies. That meant I could not take my leave for more than two or three days a time. While on leave, I phoned the person covering my part every morning in order to see if there were any requests from customers to sell the securities which were not present. If something happened, I had to rush to the office to take actions. Consequently, I could not get away from the city even when I was on leave. Nor could I take a leave even when I had an accident or was sick. I had to pay attention to all the things all the time.

According to this statement, there were two chances to uncover the cover-up operations in 1989.

The first chance was when the Audit department moved to the Midtown office, and it became impossible for Iguchi to learn about the department's audit work as he was sitting at the Downtown office. Iguchi had only 10 days to do the cover-up operations. But the account clerks of the Midtown office did not complain — just as the people of the Downtown office did not — even if there were delays between the date of buying and the date of selling. They did not care as long as the sums of the amounts matched eventually. Consequently, his cover-up operations went on.

The next chance was when the Wind system was installed. The Wind system appears to be Daiwa's new computer system. This system made it impossible to do accounting without feeding in details, and the specifics of debit and credit had to be entered for each of dealings. But Iguchi put his dealings into a transitory account, i.e. a temporary account, so final checkups on debit and credit could not be done. Besides, the whole branch office around that time appears to have thought checkups were not necessary (as evident from the fact that more than 10 accounting clerks one after another accepted his predecessor's practice of not checking.)

Iguchi's cover-up operations went into a new phase around the time when he began to say "recording was unnecessary because my deals represented credit-based debts [kashi sai]."

A foreign-investment bank's executive in charge of securities commented: "His statement on 'selling securities that were not present' makes me suspect that when he could not do the dollar-rolling for some reason, he sold the government bonds that belonged to other customers. I think that when someone asked him about shortfalls in the bonds, he probably claimed they have been loaned out (to other securities firms). I suspect he might have also falsified credit vouchers."

After that, Iguchi was on a bicycle. If a customer ordered the sale of bonds that Iguchi had already sold, Iguchi had to sell similar bonds that belonged to another customer — as a temporary solution to get himself out of the difficult spot. To do that, he "needed to follow and learn about the moves of customers all the time" and could not take a long leave to take a rest.

The same bank executive added: "In the United States and Europe, usually employees are ordered to take a leave of two to four weeks every year. That is to check on that kind of problems. Why did his superiors not check the number of leaves he took? It is unnatural that Iguchi, a dealer, should phone the accounting clerk every day while on leave. I am inclined to suspect that everyone in the branch office knew about the whole thing."

Balance Sheets Falsified From 1988 7. What could have most accurately told the story of the shortages of securities in custody were the records of balances at the BTC. But until November 1985, the BTC had the branch put not-often-traded securities into the account of the Custody Department and put frequently-traded issues into the account of the Clearing Department. As almost all issues of the branch were in the clearing account, the end-of-month balance sheets were not issued. But in November of that year, at the request of our branch, clerks at the BTC started to issue typed statements. Initially, I checked them, but later on, the BTC's clerks started to check them as well, and began to request my explanation on shortages. I think there were some questions raised about my dealings around that time, and I replied there was no need to worry because they were credit-based debts [kashi sai]. But around 1988, there was an instruction from the Audit department saying that the branch office, while conducting internal audits, should check and verify balances of the securities

issues in custody. After that, I started to rewrite the balance statements myself.

But the branch's internal audit was not necessarily done at the end of a month. As the balance sheets on stocks in custody were so huge in volume, no verification was actually performed. Initially, I personally typed up the balance sheets, but as it took so much time, around 1991 I started to use a word processor and to report only changes in numbers in the statements. I did this work late in the evening after all the people had left so that no one could see what I was doing. Fortunately, my office was secluded, and no one thought my action strange. I had to be careful all the time so that the in-custody balance statements mailed in from the BTC may not get into the hands of other people. In principle, the auditors are supposed to have statements sent also directly from the institutions that have cash or securities in the bank's custody, but this has never been done in this branch.

Earlier, we mentioned that since Iguchi himself controlled the confirmation notes on all dealings, he did not pass on to the branch office those notes that were inconvenient to him. Normally, in addition to the confirmation notes for individual transactions, the BTC issued monthly reports at the end of each month. Banking institutions had the system of double-checking the balances. But it appears that Daiwa New York branch had not asked the BTC to issue monthly balance statements until November 1986. Even after it did make a request, Daiwa's Audit department believed in the stories of Iguchi, and his confession reveals he started falsifying balance statements in 1988. But he also adds, "as the statements of stock balances in custody were so huge in volume, no verification was performed actually," and "the auditors are supposed to have statements sent also directly from the institutions (passage in between omitted) but that has never been done in the branch." Iguchi worked late into evenings to falsify the documents, but apparently all this work was for nothing. As noted in the beginning, the loss could be verified when his falsified monthly reports were compared with genuine reports.

8. I meant to keep all the arrived confirmation notes after 1986, but as there could be some parts missing, I started to store away monthly statements [preceding two words in English] every time I had access to them (after reports on bonds in custody were prepared). As the monthly reports contained records of all the transactions done during the pertinent month, they were considered the most important document for use in controlling risks. The back office thought the confirmation notes sent to it were merely papers which covered transactions done by traders [preceding word in English]. In fact, there was no way of confirming the details of transactions unless

they were checked against these monthly statements. Since the branch did not check the monthly statements, when the branch sustained a big loss from its own dealings, it could include that loss into my account instead of treating it as the branch's loss, and when I made profits from my transactions, these profits could be recorded as profits of the branch office as well. [sentence as published] 9. In 1989, the branch office began to conduct internal audits by sending out its auditors to the Downtown office. But the auditors thought their function was only to check existing securities. The forms of the branch's audit reports that needed to be submitted to the Audit department had a column to show the balances of securities in custody, but since these reports were prepared by the Japanese employees of the Midtown office, the auditors probably thought checkups had been done. The auditors from the branch's main office checked the balances of securities in custody, but they found no problem with the parts concerning me. U.S. state administrative inspections were conducted three times — in 1989, 1993, and 1994. Those inspections were often specific and sharp, but it was fortunate for me that the inspectors did not check and look — at the time of inspecting the custody section and the trading section — into the details of transactions by questioning the parties involved in trading. The branch office often received requests from auditors of U.S. dealers to confirm concluded dealings, but the branch office itself apparently never issued such requests from its side. 10. Since interests had to be paid on T-bonds at the end of every six-month period, I needed to replace them with other bonds before the date of interest payment arrived. Around 1990, the New York branch had little pension funds in holding. So, the volumes that could be replaced were limited. As a result, some of the bond issues could not be replaced. On the day of interest payment, I informed the accounting clerks to pay the due interests even though these facts were not covered in the interest payment reports for the BTC. Payment was made to all the customers, using interests paid by the BTC on the T-bonds held by it. But since the amount received from the BTC was less than the amount due to be paid to customers, I had to sell still other T-bonds and pay to the BTC to make up the shortage. At this stage, once again, a question could have been raised by the branch on this practice of reconciling (preceding word in English), but the problem was overlooked with the branch's condition being in such a state as mentioned earlier. 11. The importance of reconciling cannot be overemphasized. Reconciling means collating the records of the bank with assets existing outside the bank and

with physical balances. From the past, Japan's way of conducting administrative control has been primarily to check cash holdings, securities certificates and key documents. Collating of records with assets outside the bank has never been done. As far as outside assets — particularly cash and securities — were concerned, the balance statements written by consigned agencies could be the only documents of evidence available. The auditors were supposed to check on the credibility of these statements. As of the end of June 1989, I was slow in selling securities to patch up a gap in balance existing at the time, and was short of some \$100 million, but no one noticed it. This tells how poorly the work of reconciling was done at that time.

Making sure to reconcile [preceding word in English] accounts should be the basic rule of controlling risks. It can be said that the reason I could keep that scale of problem in secrecy for some 10 years was because the branch did not do the reconciling work adequately. 12. To refer to the traders [preceding word in English] which were involved in dealings for the new branch, they handled mostly securities futures, and I was mostly in charge of spot transactions of T-bonds. When I traded in T-bonds, I did not use the companies I normally dealt with. Even when I used them, I personally checked on the dealings, and instructed them not to talk about unnecessary things. In 1988, I had an assistant check on transactions, but I made it sure that he did not check the ones handled by me.

Daiwa Bank's Internal Documents

Paragraph 8 and the paragraphs thereafter contain Iguchi's lectures to Daiwa Bank's New York branch. One can say they reveal how brazen he was. They also reveal how sloppy the branch office's management system was. We are dumbfounded by it.

After receiving the confessions from Iguchi, Daiwa started the work of verifying and confirming the loss. In its internal documents, Iguchi's illegal operations were noted as follows: *Modus Operandi of Illegal Actions*:

1) Up to January 1993, he did his trading in two ways — before and behind the counter [omote to ura]. In other words, he opened up those transactions that bore fairly good profits, but covered up the rest of transactions (done at considerable losses). Iguchi said he did all the dealings behind the closed doors after November 1993, but it is necessary to check whether what he said is true. If it turns out that he did trade openly after November 1993, that can be a major issue for the local authorities.

2) Specifically, dealings were mostly done for margins [sakin torihiki] and were done behind doors [ura torihiki]. (About 30 companies like Shearson Lehman and Morgan Stanley were brokers he used in closed-doors dealings)

As his dealings were margin-purpose dealings [sakin torihiki], Iguchi issued remittance instructions and sales slips himself, and when shortfalls or excesses occurred, he readjusted them by buying or selling the bonds.

But when he traded openly, he did not do it in the form of margin-purpose transactions, but did his selling or buying in the form of interest-bearing spot-delivery deals, and produced further profits by having another broker do the buying or selling from this deal. When he was conducting an open transaction, he had the back office in Midtown issue remittance instructions and voucher slips.

When performing margin-purpose transactions, the branch had Canter involved in settlement of open dealings, and had firms like Araki participate in the transactions. The back office in Midtown handled them as normal transactions.

3) I made the arrangement so that all confirmation notes and statements on the closed-doors dealings came to me.

(passage in between omitted)

5) As for the settlement with the DTC, voucher slips were issued on temporary advances and temporary receipts, and balances were kept at zero. As the DTC did not perform the work of reconciling, it did not check the contents of the temporary advances and temporary receipts. [italicized passages quoted from Daiwa Bank internal document]

Daiwa Bank, in its first action, (on 28 August) started feeding what it found into database, and then compared the details of transactions recorded on Iguchi's notebook with the details of the bonds illicitly transacted after 1990. It is said that the two sets of figures generally matched for the period from June 1993 to June 1995.

But Iguchi reported he did not have notebooks for the period up to 1990, and the work of confirming dealings for the period up to 1990 was said to have been tough as there were 350,000 confirmations notes to check.

Daiwa Bank conducted the work of collating the post-1990 dealings with details of misappropriated bonds and the confirmation notes left. After that was done, the bank prepared detailed records of transactions done before 1990 and detailed lists of the bonds misappropriated in that period. It appears Iguchi bought and sold very heavily in 1989, and the bank's internal documents

handled the dealings for that particular year separately. The bank also cited as important the internal document entitled "the Confirmation that There Were No Bond Manipulations Either Openly or Behind the Doors After November 1993" — the document which had been reviewed by the FRB.

Possibility of Bank-Wide Involvement in Crime

The investigative authorities are concerned not only about Iguchi's illicit operations, but also about cover-up operations carried out by Daiwa after learning about the problem. Hence, as the trial on the case proceeds, attention will shift to the question of how the crime of Daiwa Bank will be dealt with.

In his first letter, Iguchi wrote: "Being the man who caused this whole problem, I am in no position to speak about this. Still, I must say that in view of existing Japan-U.S. relations and business practices in the U.S. banking market, if this case comes to be treated as a legal case in the United States, it will come to fall outside the reach of the Japanese authorities, and that can drive Japanese banking institutions into a very disadvantageous position."

As we stated in the beginning, it can be said that Iguchi is aware of the strictness of U.S. justice. A financial analyst in New York said: "If the FRB thinks all Japanese banks have a management system like that of Daiwa, the board can start to say all the Japanese banks' local branch offices should be made to be incorporated locally and to be put under the board's supervision. If that happens, it will become clear which banks can remain in the United States and which ones cannot. It is difficult to understand the reason he proposed the bank to cover up the case. However, we cannot really believe Daiwa Bank, which so easily accepted his proposal and proceeded with the cover-up operations, can be called a banking institution that represents Japan."

A Japanese bank's executive officer in charge of international business, who had read the fourth letter, said: "I cannot believe it. A bank's audit functions can be roughly divided into four — verification of bonds on hand; checkup on individual dealers' records of transactions; comparison of them with the bank's records of transactions; and, finally, collation of the records with detailed statements of the companies with which the transactions were done. But believing in the stories given by Iguchi only, Daiwa Bank performed none of this checking functions. In his confession Iguchi wrote he was short of \$100 million at the end of June 1989, but this was not detected. As Iguchi said the level of laxity was excessive. He is supposed to have written the letter at the instruction of a senior officer. So, he put emphasis on implying that the New York branch

was unique. But it is likely that the situation throughout Daiwa was the same.

The bank executive further commented: "According to this, Iguchi acted alone. But it is difficult to believe a cover-up operation of this magnitude could go unexposed for 10 years. It would be rather natural to think there was a behind-the-scenes scenario [preceding word in English]. Daiwa had bought Lloyd Bank's branch office which was losing money, and turned it into its New York branch office. For instance, could we think that the office had huge debts carried over from those earlier days, and it employed him to do the work of covering up the debts? In view of the Japanese banks' personnel system, it is difficult to believe a man could stay at the same department for over 10 years. Besides, he caused the loss of 110 billion yen in the period of 10 years, that would mean he must have caused a loss of more than 30 million yen every day. In view of all this, there is the possibility this was a case the whole bank was involved."

We recall that Yoshiyuki Watanabe, chief of the MAINICHI SHIMBUN New York bureau, in an interview with this publication last month suggested the possibility of the bank having been involved from an early stage. Apparently when professional bankers look at this case, there arise so many puzzles with regard to this case as well.

Meanwhile, Stanley Arkin, who is an attorney for Daiwa Bank, is reported to have decided that in the process of arraignment, he should insist on the innocence of former New York Branch Manager Masahiro Tsuda, who is now under detention. He claims that while Tsuda was in a position to supervise and check on irregularities, he was in no position to make a decision. Even on the issue of indicting Daiwa for company-wide involvement, he will say the actions of the bank could be in conflict of law, but could not be a case for criminal charge. In other words, he intends to say the bank was not involved in company-wide cover-up operations.

But Vincet Brisetti, who is an attorney for Iguchi, commented on this case as follows:

"Mr. Iguchi is cooperative with the prosecution and is making statements very willingly. Energetic investigations are being conducted every day. He admitted to conspiracy with two among those charged (one is former New York branch manager Tsuda, but the other cannot be exposed at this stage), but Iguchi clearly says he himself is responsible for the case. He has not made attempts to implicate innocent people by making false statements. He is willing to tell all the facts, and to serve sentences as appropriate. Then he wants to live a more meaningful life with his two children."

According to Brisetti's statement, Iguchi has taken the justice authorities' offer for a deal in return for reduced penalty. Will the tough stand of Daiwa change? No one can predict how this case will develop in the future.

MOF Official on Stabilization Committee Report

962A0008A Tokyo KINYU ZAISEI JIJO in Japanese
23 Oct 95 pp 26-30

[Article by Junichi Naito, Chief, Research Division, Banking Bureau, MOF]

[FBIS Translated Text] **Report on the Progress of Deliberations on Restoring and Ensuring the Stability of the Financial System**

Financial Stabilization Committee Releases Progress Report

Finding the way toward a resolution to the nonperforming loan problem and restoring the health and maintaining the stability of our financial system, which has been weakened by the collapse of the bubble economy, are urgent tasks that are now confronting us. Faced with a broad range of questions—including how best to tackle the loan problem or involve public participation—we thought it was of tantamount importance to have these issues discussed by those in various quarters as well as from diverse perspectives. With the formation of the Financial Stabilization Committee under the Financial System Research Council, we are now having those issues vigorously debated. So far there have been twelve meetings: the committee itself has met seven times; a working group concerned with the deposit insurance system, two times; and another group, dealing with cooperative financial institutions, three times. Continuing its deliberations to come up with concrete measures, the committee is expected to complete its report by the end of this year. Its interim report, "Report on the Progress of Deliberations" (27 September), summarizes the progress of the committee's deliberations to date, and serves as a useful reference for future investigations (see *Kinyu Zaisei Jijo*, 9 October). Here, we would like to review the committee's main points as they are presented in its "Report on the Progress of Deliberations" (hereafter referred to as "report").

Current Status of Nonperforming Assets

To begin with, the report provides an analysis of the current status of the nonperforming assets held by financial institutions. Estimates place the total amount of such assets for Japan's financial institutions as of the end of March 1995 at roughly 40 trillion yen. Since there are a relatively large number of indirect loans in Japan, according to the report, the ratio of nonperforming assets

to all outstanding loans is roughly the same as it was in the United States in 1991.

Nor, according to the report, does all of the 40 trillion yen in nonperforming assets still require disposition. Compared to the end of March 1993, the amount of loans that must still be disposed of—past-due loans and loans to bankrupt borrowers—has been reduced by half. Furthermore, in looking at the situation of banking institutions belonging to the Federation of Bankers Associations of Japan (150 member banks), the report's authors, in considering such factors as net operating profits, bad debt reserves and latent stock profits, feel that Japan's financial institutions as a whole have the ability to overcome their bad debt problems. Presuming that strenuous efforts continue in that direction, the authors feel that the basis exists for a full-fledged attack on the bad debt problem, including the disposal of refinanced, or interest-discounted, loans.

Factors Behind the Nonperforming Asset Problem and What Should Be Done in the Future

The report notes that financial institutions failed to respond adequately to the bubble phenomenon. Financial deregulation brought on a period of increased risk for them and should have been met with greater efforts on their part to ensure the soundness and health of their operations. Blame is also laid on the shoulders of the supervising authorities concerned. According to the report, these authorities should have moved quickly to establish a new, highly transparent financial system, which gave full play to market discipline and was based firmly on the principle of self-responsibility.

A structural response, which is directed toward creating a new financial system, is called for, according to the report. Supervising authorities must fulfill their role in complementing the market function, firmly establish the principle of self-responsibility among depositors, and secure the health of financial operations by encouraging further disclosure, the authors say. In this role, they must call on financial institutions to act quickly to straighten out their operations. Also necessary, according to the report, are the expansion of the deposit insurance system and the establishment of transparent methods for dealing with the collapse and failure of troubled financial institutions.

The early disposition of nonperforming assets is a problem that needs urgently to be addressed, and the authors call for prompt, decisive action to resolve the problem as early as possible within a five-year grace period. Ensuring the stability of the financial system during this period, the authors say, will require special measures that go beyond the existing framework for responding to such problems.

Disclosure of Nonperforming Assets

In addition to being required to disclose the amount of loans in arrears or made to bankrupt borrowers, the twenty-one leading city banks will also be required to report refinanced, interest-reduced loans, starting from the March 1996 term. Concerned about negative effects on the credit order, the authors also see the need to extend these disclosure requirements to other financial institutions as well and, as early as possible within the five-year grace period, to set up the environment that will allow depositors to be held to the principle of self-responsibility. In addition to the scope of disclosures indicated in the "Working Committee's Report on Financial Institution Disclosures," the authors recommend that members of the Federation of Regional Bank Associations also disclose the amount of loans-in-arrears, starting from the March 1996 term. Saying the time has come for an aggressive approach to the problems of cooperative financial institutions, the authors also advise that credit unions over a certain size be required to disclose their loans to bankrupt borrowers, starting from the March 1996 term. These requirements for disclosure should be considered the lowest common denominator, say the authors, and the voluntary decisions of financial institutions to make disclosures beyond these requirements should be commended.

Even before these broader disclosure requirements take effect, information on nonperforming assets will be needed so that possible measures to resolve the bad loan problem can be further studied. In the interim, as financial institutions are moved toward fuller disclosure, the report recommends that the authorities concerned continue to try to grasp the true nature of the nonperforming loan problem and provide relevant data for deliberations on its resolution.

Methods for Disposing of Nonperforming Assets and Handling Failed Financial Institutions

First, as a general rule, financial institutions should be held to the principle of self-help in disposing of their nonperforming assets, according to the report, and will be expected to make the maximum effort to rationalize their operations and act quickly to write off their bad loans and build up their bad debt reserves. It is also important, say the authors, that they liquidate their collateralized real estate, rather than merely dispose of it on paper.

The disposition of nonperforming assets may see the collapse of some financial institutions. Such cases, though expected to be limited, will have to be dealt with. There are a number of problems under the current system, however, when it comes to disposing of failed lending institutions. It is imperative, say the authors,

that these problems be quickly remedied. The Financial Stabilization Committee is expected to continue to study the matter and come up with specific recommendations for the framework for a system [to deal with lender failures] within the year. The committee's basic thoughts on this matter, as indicated in the report, are as follows.

(1) Early steps to correct the problem and dispose of failed lenders in order to ensure the health of financial institutions

First, it is important that corrective steps be taken at an early stage in order to ensure the soundness of lender operations and management. The supervising authorities concerned, the report says, must move in a timely manner to provide financial institutions with guidelines for submitting voluntary plans for improving their operations. They must also implement regulatory provisions, including mandates to financial institutions to reform their operations, based on set criteria such as capital adequacy levels.

In looking at the recent failure of financial institutions, the authors note delays in the settlement of these cases as well as rising settlement costs. In order to avoid similar situations in the future, the authors indicate that a system must be readied that will permit quick action. For example, action must be taken before any threat to depositor repayment materializes or when an institution has taken on an excessive amount of debt. It is necessary to speed up the disposition of a failed lender so that sound financial institutions are not negatively impacted.

(2) Diversification of methods to deal with failed financial institutions

Addressing the question of direct payments of deposit insurance money (or so-called payoffs) under the existing deposit insurance system, the authors note that the disclosure system is still in the process of being perfected. At the present time, when credit confidence is easily shaken, they say, it would be difficult to ask depositors to bear losses under the current payoff scheme. In the future, the authors indicate the need to diversify the methods for dealing with failed financial institutions in order to thoroughly pursue the principle of self-responsibility and prevent concerns about creating a moral hazard.

There are problems associated with the current payoff scheme. Besides its negative aspects for depositors and regional money markets, the authors note that, since a large number of depositors are creditors, a long wait is in store for them before liquidated shares are paid out. Reform of the current payoff system from a practical perspective is needed, according to the authors. The authors also see the need for a system, for example,

that promptly allocates estimated shares and serves in the interim to provide full protection to the depositor through a combination of payoffs and fund assistance. They also see the need to make a range of less socially costly options available for the disposition of failed institutions.

(3) Framework for the contribution of private funds for the smooth disposition of failed lending institutions

Difficulties are anticipated in the transfer of operations in the disposition of failed institutions if the only financial assistance that is available is deposit insurance money or whatever help is possible through affiliated financial institutions. On the other hand, it would be difficult at this time, say the authors, to expect the depositors of those failed institutions to directly bear the burden for any shortfall in the funds needed to cover disposition costs during the five-year grace period.

As in the past, private lenders have therefore been making ad hoc contributions. According to the report, what is needed in the future, however, is a new, highly transparent system—a system, for example, where disposition costs that cannot be covered by the current deposit insurance system are financed through special insurance premiums, paid for by private financial institutions. The details for such a system, say the authors, must be looked into without delay.

The report also points out that the disposition of recently failed lending institutions is expected to deplete the legal (liability) reserves of the Deposit Insurance Corp. Accordingly, steps must be taken immediately to raise insurance premium rates and expand the central bank's lending window to provide "stopgap" funds.

Ensuring Operational Soundness of Credit Unions

Considering the recent series of credit union failures in Tokyo and Osaka and the failure of two credit unions in Tokyo earlier, the authors see a large gap having emerged between the basic concept of the credit union as a mutual aid society for members and the actual operations of such unions, particularly those in metropolitan areas, and point to the inability of those in charge to tighten up their operations.

Based on this background, the report points out the need for such credit unions to continue to emphasize their nature as cooperative organizations and strictly adhere to restrictions on transactions with nonmembers. Credit unions that intend to become regular financial institutions and develop the same service lines must follow whatever regulations apply.

The tie-up between the central government and local supervisory authorities must also be strengthened in order to improve supervision and inspection of credit cooperatives, according to the report. Besides urging special conferences between the two sides for this purpose, the authors point to the need for the two sides to coordinate their respective roles in conducting inspections and to aim at greater clarity regarding the circumstances under which joint inspections are to be conducted.

The report looks at the stringent circumstances surrounding credit unions, as evidenced in recent credit union failures, and at the financial environment as a whole, finding there conditions that can easily lead to a further weakening of credit confidence. Taking these facts into account, the authors, in considering in the handling of failed credit unions, urge their quick disposition. In order to prevent their negative effects from spreading to other financial institutions, the authors see the need for a decision on how best to distribute disposal costs as well as the need to set up a special entity that will temporarily act as a receptacle for the disposition [of failed credit unions and their nonperforming assets].

In terms of steps to ensure the sound operations of credit unions, the report, in addition to recommending further disclosure, points to the need for better supervision and fuller restrictions on interlocking directorates. Even if directors are allowed to serve simultaneously on two boards or new restrictions are implemented, the report points to the need for disclosures about directors and concurrently held positions and about investments and loans from the credit union in question to any company to which it may be linked in this way. Suggestions for improving the supervisory role include the use of private auditing firms and the appointment of financial experts who are nonmembers to conduct outside audits. The report also suggests that the gradual introduction of an outside auditing system be looked into.

The Jusen Problem

According to the report, housing loan companies, or *jusen*, are saddled with a massive amount of nonperforming assets. The number of financial institutions that have some connection to these bad loans are expected to climb. Accordingly, the *jusen* problem will have a major impact on the stability of the entire financial system, the authors say. Solving this problem, which has become symbolic of the current bad loan problem as a whole, is critically important. After reviewing the background of the *jusen* problem from the establishment of these housing loan companies to the present, including the respective roles of parent banks, financial institu-

tions affiliated with agricultural cooperatives, and the supervisory authorities concerned, the report goes into the need for a fundamental change in current restructuring plans. On the basis of the findings of on-sight inspections of housing loan companies that have been conducted by the Ministry of Finance since August of this year, the authors estimate that of the 8.4 trillion yen in nonperforming assets held by the eight *jusen* companies, roughly 6.3 trillion yen will end up as unrecoverable "losses."

Given the urgency of the *jusen* problem, the report indicates the need for these housing loan companies and their parent banks to take a central role in its resolution and work out an agreement on their basic approach and method for disposing of these nonperforming assets. Agricultural financial institutions as well as general lenders must also be involved in working cooperatively on a disposal policy, according to the report. In the process, the parties concerned, according to their particular situations, will be expected to acknowledge their respective responsibility and do their best to reach a compromise.

As for the government's role in resolving the *jusen* problem, the report indicates that, while taking into account discussions among the various parties involved, the authorities concerned should be looking into the development of a broad framework, one going beyond individual cases, for a resolution. They should also be encouraging the parties to come to an agreement in a timely fashion. Since recovery of the nonperforming assets held by the housing loan companies is expected to require time, the report recommends that authorities act quickly to look into the possibility of establishing an entity that will act as a receptacle for these nonperforming assets and encourage their disposition. Moreover, because the disposal of such a large amount of nonperforming assets is expected to have a major impact on the economy and financial institutions, the report also points to the need for the authorities to study the possibility of a phased-in response to the *jusen* problem.

A prompt resolution to the *jusen* problem is being demanded by those within Japan as well in other countries. The authors of the report recommend an early resolution to the problem and see the need for all of the parties concerned to show a determined effort to grapple with the problem so that a disposal policy will be at hand by the end of the year.

Public Participation

First, in considering the public's role in the disposition of failed financial institutions, the authors take, as their guiding principle, the stand that the burden should be placed on the shoulders of the financial system

and handled within it. This includes repayments to depositors through the deposit insurance system. Any plan to have taxpayers bear part of the burden, the authors say, needs to be carefully studied. Based on precedents in other countries, the authors argue that this principle is basically the same one that has been followed in the United States and Europe.

Should it be decided to introduce public funds, the authors argue that the authorities concerned should first carefully study whether or not the disposition of failed lenders can first be handled within the financial system—through the self-help efforts of financial institutions and then through the deposit insurance system if insurance premiums are raised to their limit. Even after these steps are taken and failed institutions are liquidated or dissolved, if, within the five-year grace period, it is still determined that depositors must not be directly burdened with these disposal costs, then it may be necessary, the authors say, to look into the time-limited use of public funds.

If it appears that delays in the disposition of nonperforming assets will have a significantly negative impact on Japan's financial system as a whole, the authors say, then it is unavoidable that steps be taken for an early resolution, including steps to use public funds, even before a financial institution actually goes under. According to the report, some are of the view, however, that the use of public funds, even on this basis, has not sufficiently been debated yet to gain the understanding of the taxpayer. Concern about the managers of financial institutions creating a moral hazard was also expressed. Whatever the case, according to the report, a further study, including further inquiry into the scope of the problem and the difficulty of arriving at an early resolution on the basis of only those directly concerned—is necessary.

Sharp Said To Miscalculate LCD Market Trends

952A0762A Tokyo *SHUKAN TOYO KEIZAI*
in Japanese 5 Aug 95 p 94-98

[Article by journalists Minako Fujiyasu, Naoyuki Mikami, Naofumi Murayama]

[FBIS Translated Text] The future for liquid crystal display [LCD] manufacturers is not as rosy as once thought. Since the latter half of 1994 the market has taken a steep downward turn.

This had been the one market that has shown a steady growth, sheltered from the headwind that other electronics makers have been struggling against since the beginning of the 1990's. Thin, lightweight, low-power consuming LCD's—these were its strong points,

and with the market projected to double in five years to two trillion yen in 2000, a rosy future seemed to be guaranteed.

Oversupply of TFT's

Thin-film transistor LCDs have been hit with an especially steep price drop. In the summer of 1994, 10-inch TFT panels, key components in notebook computers, were about 120,000 yen a piece. They are now about 70,000 yen. [Some analysts] are even predicting they will fall below the 50,000 yen level by the end of the year.

Because of their high-quality images and suitability for moving video images, TFTs were expected to become the standard for color LCD panels.

However, Tottori Sanyo Denki Co., a leading manufacturer of super-twisted nematic LCD's, a competing type of color LCD, lowered its prices in the second half of 1994. Kyocera Corp. and other manufacturers soon followed. These super-twisted nematic LCDs produce poorer quality images but, because of their lower price, have grabbed the liquid crystal display market for the increasingly more affordable notebook PC's.

"[People] are saying the TFT display panels will regain their top standing once the price gap between them and the STNs gets narrower," says Masaaki Nishina, head of Tottori Sanyo's LCD business department and a member of the STN camp. "But the way the quality of STN images are improving every year," he adds, full of confidence, "the price gap is going to keep us competitive."

Sharp increases in the output capacity of manufacturers have dealt a second blow to makers. According to TOYO KEIZAI magazine's estimates, the output capacity for LCD panels far exceeds market projections for notebook computers, which are the main users of LCD panels. The gap between supply and demand is not expected to narrow until 1997 [graph not translatee].

Samsung Electronics Co., a Korean manufacturer, has now also entered the market and is said to be offering sample shipments at \$500 (about 40,000 yen) per piece. Despite some questions about Samsung's supply capacity, it has definitely played a role in lowering prices.

These unfavorable shifts in the market have dealt a direct blow to Sharp Corp., one of the top LCD makers.

Misreading Supply and Demand

For the past three years, beginning in fiscal 1993, Sharp has invested some 200 billion yen to build up its facilities for the production of liquid crystal displays. Most of this build-up has been for the thin-film transistor

LCDs, and last July, production began at its new Mie [pref.] plant. With over 5,600 square meters of floor space, the plant is the largest of its kind in the world.

Together with its Mie plant, which can produce 150,000 10-inch TFT's per month, Sharp's total monthly output capacity will be 460,000 pieces at the end of fiscal 1995, representing nearly a twofold increase over the previous year.

Although production volume has been increasing as a result of higher output capacity, sales earnings are remaining flat, reflecting the lower price of each piece.

In May, when Sharp announced plans for the sale and output of LCD's for its March 1996 term (including LCD's for use in other products manufactured by Sharp), TFT sales were projected at 165 billion yen (representing a 13.8 percent increase over the year before), compared to 130 billion yen for STN's (44.4 percent increase).

More recently, however, according to Atsushi Asada, vice president of Sharp Corp., the company has become more bearish about its TFT's. "Considering the market," he says, "we may increase our production of STN's and reduce our TFT's, accordingly."

Thus, even its new Mie plant, which was to specialize in the production of the thin-film transistor LCD's, finds it necessary to deviate from the original plan and produce color STNs. This will certainly mean lower profits than if only TFT's were made there.

In addition to increasing its production of color STN's, in order to cut costs further, Sharp will also manufacture its own color filters for STN display panels at its Nara plant.

One would expect a company like Sharp, which has invested aggressively in LCD's, to be able to continue reaping the benefits of its pioneering role in this field. But, in fact, because the supply and demand for TFT's has become less predictable, exposing Sharp to the whims of an unstable market, the company is instead intent on revising its product strategy and reducing costs. Expectations about regaining its top standing have gone awry.

Other Companies Engaged in Intense Catch-Up

Why did Sharp go wrong in its projections of demand?

In the background are changes in the structure of the liquid crystal display market. When Sharp was at the top of its field in output capacity, it was the market leader, setting the norm for panel size and prices.

But Sharp has been losing its authority as makers who have come to the field later raise their supply capacity.

Tottori Sanyo, which already stands shoulder-to-shoulder with Sharp in the color STN market, took the lead in lowering prices and has played havoc with Sharp's investment strategy.

In the TFT market, other strong leading makers are moving forward in a second line of attack, fiercely attempting to close the gap and catch up with Sharp.

By the end of this year, Display Technology, Inc. (DTI), a company formed between Toshiba Corp. and IBM, will have a new line able to produce 200,000 more pieces per month, for a total output capacity of 400,000 pieces.

According to Ichiro Ando, who heads NEC Corp.'s color liquid crystal business department, the company is presently engaged in negotiations that should see it "operating at full capacity by the start of next year." Working from this bullish reading, NEC will begin to build up its Akita plant this fiscal year and, by fiscal 1996, will have a system, which together with its Kagoshima plant, can put out some 200,000 pieces monthly.

Although NEC's main product had been the 9.4-inch TFTs intended for use in its own 98 Series, seeing the outside buyers' market shift from the bottom half of 1994 to 10.4-inch TFTs, NEC is now hurrying to have its Akita plant mass produce these larger models.

Hitachi Ltd., seemingly a latecomer to color LCD's, has set up an TFT assembly line at its Mobara plant and will be producing some 110,000 pieces per month within the current fiscal year.

Increased production of TFT's by computer manufacturers like Toshiba and NEC has narrowed the pool of suppliers for Sharp-made panels, and with companies like Hitachi, which sells mainly to outside buyers, now entering the field, competition among TFT panel makers is sure to escalate.

According to Asada, Sharp would like to put itself in a position where it can get "fifty percent of a market that will someday be worth one trillion yen." But it seems to be having a hard time holding on to even its current 40 percent share.

"Price is not the only important factor for users," says Asada. "It's important that they get the quality products they want, delivered to them on time, without worrying about running short. What we want to do," he says, "is to build a relationship with users based on the kind of trust that we can draw on in the future." But users are notoriously dry. Depending on the market, they won't hesitate to cancel an order and switch to a supplier who can offer them even a slightly lower price than rival

makers. Now, with the growth of other LCD makers besides Sharp, that tendency has become more marked than ever.

No Progress in the Development of Applications

Another problem for Sharp is the development of applications for its TFT's.

Not only does Sharp have a large output capacity, the pioneering maker is shouldered with an old assembly line suited for the 8.4-inch panels, which are hardly needed anymore for today's notebook PC's (its monthly production capacity for 8.4-inch panels is 140,000 pieces). In order to make use of its existing line, Sharp must develop new products.

"Sharp is a [key] device maker, but at the same time," Asada says, emphasizing his words, it "also intends to make application products and enlarge the pie' of demand." Indeed, Sharp has a proven record of making hit "demand-creating products" such as its LCD viewcam and getting consumers behind its liquid crystal products.

In fact, 80 percent of TFT's continues to be targeted for notebook PC's. It was thought before that, if the 10-inch TFT's went down in price to 50,000 yen, this would work to expand the market. But even now, with a downturn in the market and some TFT's tagged at 50,000 yen, one is talking about a system that is still dependent on PC's.

According to a management consultant who is well informed in this area, "liquid crystal display makers are ultimately in the business of selling size. There are several promising developments—like the car navigation systems—but what will really pull the TFT market along are products, like the notebook PC's, where there will be volume-users of large-sized panels."

Here, what holds the greatest promise for home-use are wall-hanging television screens and, for office-use, desktop PC monitors. The desktop PC market is about five times the size of the notebook PC market.

But whatever the case, the LCD's competitor is the cathode-ray tube, and the problem, here, is price. Even though TFT's have gotten cheaper, with 10.4-inch display panels now finally tagged at 50,000 yen, 14-inch CRT monitors, by comparison, are selling for 20,000 to 30,000 yen. Making larger TFT's is difficult, and there is still no commercial basis for a 14-inch TFT.

Every maker, including Sharp, while working to develop large-sized panels, are also promoting cost-down measures, demanding that parts suppliers cut their prices as well. However, it is hard to imagine that they will soon be replacing CTR's.

Will Sharp develop a product that has its own special stamp and creates demand while making use of Sharp's existing production line? What kind of investment and price strategy should it take in order to come out a winner in the competitive notebook PC arena, one of the few, major LCD markets? At a time when the market for TFTs, Sharp's leading product, has turned into a buyer's market, will such handles as "Sharp, the LCD-maker" and "Sharp, the product developer" truly apply?

North Korea

Kim Yong-sam, U.S. Commander Meeting Denounced

SK2212103195 *Pyongyang Korean Central Broadcasting Network in Korean*
0100 GMT 22 Dec 95

[FBIS Translated Text] According to a report, on 20 October the traitor Kim Yong-sam invited Gary E. Luck, commanding general of the U.S. Forces in South Korea [USFK], and other brass hats of the occupation forces to Chongwadae [presidential offices], hosting a big feast for them. On this occasion, he made an ugly scene by begging them to maintain full vigilance to block any attempt by the North to launch a provocation.

This is an open expression of Kim Yong-sam's criminal intention to accelerate in earnest the preparations for war and to ignite the fuse of war of northward aggression at all costs in collusion with outside forces under the pretext of our nonexistent threat.

These days, Kim Yong-sam appeared at a central conference on combined defense and prowled among frontline units of the puppet armed forces, inciting war fever there. Not content with this, he invited brass hats of the U.S. forces occupying South Korea and raved about the rumor of threat from the North. From this episode, we know very well that his treacherous frenzy to resolve the worst crisis facing his regime by engaging in confrontation with his fellow countrymen has reached an extreme.

Not caring about his own reputation as president, Kim Yong-sam committed the dirty act of seeking help from the occupation forces. This shows he is an out-and-out toadyist, a vicious nation-seller, and a person who, like a scarecrow, does not know shame or reason because he is seized with a sense of crisis.

Kim Yong-sam's Cabinet Reshuffle Noted

SK2212002495 *Pyongyang Korean Central Broadcasting Network in Korean*
2200 GMT 21 Dec 95

[FBIS Translated Text] According to a radio report from Seoul, traitor Kim Yong-sam has once again, on 20

December, carried out a large-scale cabinet reshuffle involving the puppet administration and Chongwadae [presidential offices] secretaries. As a result, the puppet cabinet ministers were replaced and the president's senior secretaries were reshuffled. Before this, on 18 December, as a prelude to this cabinet reshuffle, Kim Yong-sam newly replaced the puppet prime minister.

As regards the cabinet reshuffle, the Kim Yong-sam ring is making a row about significance of this reshuffle by saying that it is to solve the matter of correctly establishing history which is a pending matter of the state affairs; realize social justice; and vigorously promote reform and globalization.

However, this cabinet reshuffle is nothing but a two-faced act to deceive public opinion at home and abroad by propagandizing as if a new change will be brought about. Ultimately, Kim Yong-sam's cabinet reshuffle is nothing but a mockery to solve the crisis of the regime, which is on the verge of overall destruction, and strengthen its power system.

It is no coincidence that public opinion at home and abroad are assessing the cabinet reshuffle as a reshuffle to strengthen the regime's own political power and to dissolve uncertainty in the political situation. Traitor Kim Yong-sam must not make useless struggles to maintain the regime through the foolish act of carrying out a cabinet reshuffle, but must immediately step down from power as demanded by the South Korean people.

Cabinet Reshuffle Denounced

SK2212025995 *Pyongyang KCNA in English*
0248 GMT 22 Dec 95

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — The traitor Kim Yong-sam carried out another sweeping shakeup in the puppet administration and "Chongwadae [presidential offices]" secretariat on December 20, according to a radio report from Seoul.

The reshuffle involved "prime minister," "ministers" and "senior secretaries of the presidential office."

The latest reshuffle is, in the final analysis, part of the efforts to get the "civilian" regime out of the serious political crisis as the several "reshuffles" staged by Kim Yong-sam after he came to power were.

The traitor Kim has been finding himself in the worst, hopeless ruling crisis since he took power. This made him try to find a way out through a cabinet reshuffle.

It is impossible for him, however, to bridge over the serious crisis of the "civilian" regime in the corrupt political climate of South Korea through a cabinet shakeup.

The traitor must step down without delay as demanded by the South Korean people, instead of trying hard to prop up the regime in such a foolish way as cabinet reshuffle.

Media Comments on Reshuffle

SK2212030895 Pyongyang KCNA in English
0256 GMT 22 Dec 95

["Makeshift To Bridge Over Crisis" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — Papers here today comment on the "reshuffle" of the puppet administration and "reform" of "secretariat of Chongwadae [presidential offices]" by the traitor Kim Yong-sam of South Korea on December 20.

An analyst of NODONG SINMUN says:

The "reshuffle" and "reform" were motivated by a crafty and cunning trick of the Kim Yong-sam group to shift the failure of the policy of the "civilian regime" and the blame for the ruling crisis onto his hirelings, evade himself from it and lay the power foundation with his closest associates to tide over the crisis and achieve the "stability of power." He should have been ousted for a due responsibility.

The Kim Yong-sam group is being cursed and denounced by broad public circles, for its "reform policy" under the "civilian" mask after its taking office, has been totally frustrated, and large accidents, disasters and social vices are rampant to plunge the people into greater uneasiness and distress. He is at the door of death for his involvement in the "slush fund scandal." The traitor made the "reshuffle" and "reform" as a makeshift to get rid of this wretched plight.

Whenever the political confusion and ruling crisis were getting serious, the traitor Kim Yong-sam tried to lull public opinion and evade the crisis through "reshuffle" and "reform," crying out for the "stability of state affairs." But this only resulted in leading him to a cliff of hopeless destruction as today.

An analyst of MINJU CHOSON says that the Kim Yong-sam group must confess all their crimes before the South Korean people and face a trial.

Kim Yong-sam Criticized for Frontline Inspection

SK2212035895 Pyongyang KCNA in English
0300 GMT 22 Dec 95

["Ill-boding Behavior of Warmaniac" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — The traitor Kim Yong-sam recently "inspected" frontline observation posts in the western sec-

tor of the front and urged them to "check in advance any provocation by the North."

Commenting on this, an analyst of NODONG SINMUN today says:

It is very ill-boding that Kim Yong-sam made bellicose remarks at a place near the Military Demarcation Line where huge U.S. and puppet Armed Forces are placed on the alert.

It is the outside forces and their war servants, the Kim Yong-sam group, that deliberately aggravate the situation on the Korean peninsula and extremely worsen the inter-Korean relations.

No one can vouch that Kim Yong-sam, the ringleader of thieves, would not unleash war against the DPRK in conspiracy with outside forces in a bid to get rid of the crisis caused by his involvement in the slush fund scandal.

His "inspection" of the front is patent proof that the puppets' war plan against the North is being carried into practice.

We will show no mercy to the provokers.

The Kim Yong-sam group must immediately stop the anti-DPRK confrontation campaign and war preparations against the North, seeing that these criminal acts will only precipitate their own destruction.

They had better surrender the stolen money and step down from power as demanded by the people.

Crew of '86 Usong' To 'Be Returned' to ROK

SK2212050995 Pyongyang KCNA in English
0501 GMT 22 Dec 95

["KCNA Information" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — The Korean Central News Agency is authorized today to issue the following information:

The South Korean ship "86 Usong," which illegally intruded deep into the territorial waters of the northern half of Korea on May 30 before being captured by a patrol boat of the Navy of the Korean People's Army, should have been punished by the law of the DPRK.

But all the crewmen frankly admitted and made apology for their crimes and requested a competent organ to leniently forgive them.

The competent organ of the DPRK decided to leniently forgive and send them back, not punishing them, in spite of their grave crimes. This is an expression of our warm compatriotic feelings toward the South Korean people

and a manifestation of our consistent peace stand for national reconciliation and peace of the country.

The ship, which intruded into the territorial waters of the North side before being captured while fleeing, shall not be returned and the bodies of the two who died at the time of capture and the body of one who died from illness will be sent back in the state of cremation according to the will of the crewmen of "86 Usong."

Staying in the northern half of Korea five crewmen of "86 Usong" have spent a happy and pleasant time, enjoying hospitality overflowing with compatriotic feelings of the Workers' Party of Korea and the DPRK Government, and those with some diseases have them cured thanks to the DPRK's free medical system.

The crewmen of "86 Usong" are sincerely thankful for our compatriotic hospitality and solicitude.

Proceeding from the desire of the compatriots in the North and the South to achieve national unity and realize the independent and peaceful reunification of the country as soon as possible, we will send the crewmen of "86 Usong" to South Korea through Panmunjom at about 16:00 [0600 GMT], December 26, 1995 so that they may return to their native places before the New Year's day and meet with their families and relatives.

Minnochong Protests Acts of 'Puppet Government'

*SK2212092895 Pyongyang KCNA in English
0807 GMT 22 Dec 95*

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — The National Federation of Democratic Trade Unions (Minnochong) presented a case against the puppet government to the international labour organisation on December 19, according to a radio report from Seoul.

Charging that the puppet government defined Minnochong as an illegal organisation and arrested its chairman, Minnochong said it is an act of suppression contrary to the treaty of the international labour organisation.

Pomminnyon Demonstration in Berlin Reported

*SK2212093195 Pyongyang KCNA in English
0814 GMT 22 Dec 95*

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — Members of the European Regional Headquarters of the National Alliance for the Country's Reunification (Pomminnyon) staged a demonstration in front of the South Korean puppet consulate general in Berlin on December 15, denouncing the South Korean fascist clique's arrest of the chairman and other hardcore

members of the South Side Headquarters of Pomminnyon, according to a report.

The demonstrators, carrying slogans "Kim Yong-sam who suppresses the civil movement for reunification, step down," "Let us defend Pomminnyon, the backbone of the civil movement for reunification" and so on, condemned the fascist clique's vicious suppression and demanded the immediate release of the hardcore members of the South Side Headquarters of Pomminnyon.

Meanwhile, Korean compatriots in Khabarovsk, Russia, sent a letter of protest to the South Korean puppet consulate general in Vladivostok in demand of the release of pro-reunification patriotic figure Pak Yongkil.

The letter stressed that her Pyongyang visit was a just action worthy of national praise and demanded that the "National Security Law" be abolished at once and she be immediately set free.

Li Peng Sends Reply to Message From Premier

*SK2112135595 Pyongyang Korean Central
Broadcasting Network in Korean
1300 GMT 14 Dec 95*

[FBIS Translated Text] Comrade Kang Song-san, the premier of the Administration Council, received a reply message from Comrade Li Peng, premier of the PRC State Council, to his congratulatory message sent on the 46th anniversary of the founding of the PRC.

The reply message noted that representing the PRC Government, he extends sincere thanks to the DPRK Government for sending the congratulatory message.

The reply message wished the friendship and cooperative relations between the governments of the two countries be constantly strengthened and developed.

Meeting Marks Anniversary of Cuban Revolution

*SK2212031895 Pyongyang KCNA in English
0301 GMT 22 Dec 95*

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — A friendship meeting was held here on Thursday on the occasion of the 37th anniversary of the victory of the Cuban revolution.

Invited to the meeting were Cuban Ambassador to the DPRK Jose Ramon Rodriguez Varona and his embassy officials.

Vice-minister of Foreign Affairs Kim Chang-yong and officials concerned were present there.

The participants had a friendly talk after colorful games.

Lao Premier Sends Thanks for Congratulatory Note

*SK2112142295 Pyongyang Korean Central
Broadcasting Network in Korean
1300 GMT 21 Dec 95*

[FBIS Translated Text] Comrade Kang Song-san, premier of the Administration Council, received a message from Khamtai Siphandon, prime minister of the Lao People's Democratic Republic, in response to his congratulatory message sent on the occasion of the 20th anniversary of the founding of the Lao People's Democratic Republic.

The reply message noted that he expresses sincere thanks for extending warm congratulations. The message also pointed out he wishes the excellent friendship and cooperative relations between the two countries be further developed.

Kim Chong-il Military Wisdom, Ideology Extolled

*SK2212073295 Pyongyang Radio Pyongyang
in Korean to South Korea 0600 GMT 20 Dec 95*

[Unattributed talk: "Our Army and People Upholding the Great Leader Comrade Kim Chong-il as the Supreme Commander, Are Invincible"]

[FBIS Translated Text] Today, our people and the People's Army are significantly welcoming the fourth anniversary of when the great leader [yongdoja] Comrade Kim Chong-il was highly elected as supreme commander of our revolutionary Armed Forces. The respected and beloved [kyongaehanun] Supreme Commander Comrade Kim Chong-il is a great commander who possesses extraordinary military wisdom, the outstanding art of commanding the Army, peerless courage and iron-like will, and endless love toward the officers and men, at the supreme height, which no one can follow.

The great leader [suryong] Comrade Kim Il-song has taught: Our People's Army led by the Supreme Commander Kim Chong-il will be ever-victorious in a fight with any powerful enemy. The respected and beloved [kyongaehanun] Supreme Commander Comrade Kim Chong-il is a great commander possessed with extraordinary military wisdom. The greatness of a commander is the greatness of military wisdom, and extraordinary military wisdom is the most important trait which the supreme commander, the commander of the military, must be prepared with.

The respected and beloved [kyongaehanun] Supreme Commander Comrade Kim Chong-il who possesses extraordinary military ideological and theoretical wisdom, wholly systemized and newly formulated the great leader's [suryong] military ideology in conformity with

the demand of the era and revolutionary practice through energetic study and outstanding ideological and theoretical activities.

Due to the respected and beloved [kyongaehanun] Supreme Commander Comrade Kim Chong-il's ideological and theoretical activities, the great leader's [suryong] military ideology which comprehends the overall contents of all sectors of military building and military activities extending from military principle and guiding principle which must be adhered to in defense; theory on war and building self-defense capacity; to strategy and tactics, war method, and the art of commanding the Army, became extraordinarily abundant with unique principles and propositions in conformity with the demand of the era and revolutionary development, and a new high demand in solving the [word indistinct] problem.

Therefore, the great leader's [suryong] military ideology and theory was completed into a great ideology and theory which is comprised of the highest peak of the military ideology and theory of the working class. It also became the most mighty ideological and theoretical weapon and an invincible militant banner firmly guaranteeing the victory of modern revolutionary war and the revolutionary cause of the working class.

The respected and beloved [kyongaehanun] Supreme Commander Comrade Kim Chong-il is a great commander who possesses the outstanding art of commanding the Army. The art of commanding the Army is an important trait which a great commander must possess. Only a military leader [yongdoja] who possesses the mature and refined art of commanding the Army can expertly lead the Army and people, thus, become ever-victorious in the fight with the enemy.

The art of commanding the Army possessed by the great leader [yongdoja] Comrade Kim Chong-il is a church-oriented art of commanding the Army in which it firmly has faith in the soldier masses and solves all problems by actively motivating their strength. In carrying out all military work and military activities, the respected and beloved [kyongaehanun] comrade supreme commander put the soldier masses in the center and is solving all problems by organizing and mobilizing all of the people's infinite creativity through vigorous political work by looking at people and soldier masses who create and use material and technical means first.

Today, the impregnable camp which is consolidated by invincible fortress; the one-a-match-for-100 combat ranks prepared to crush in a single blow any enemy who attacks; and the creations of brilliant feat being built by soldiers at every socialist construction site, have mobilized the soldiers' ideology through strong

political work, thus, achieving great progress throughout the whole Army. This is a brilliant fruition of the great leader [yongdoja] Comrade Kim Chong-il's extraordinary art of commanding the Army.

Successfully solving all problems by moving soldier masses' minds with human love is precisely the characteristic of the respected and beloved comrade supreme commander's chuche-oriented troop leadership art. The respected and beloved comrade supreme commander is leading soldier masses to creation, exploits, victory, and glory, while firmly grasping their hearts with trust and love. On the other hand, our soldier masses, encouraged by such benevolent love, are fighting to implement the party's military line, devoting their youth and life and jumping into fire and water.

The respected and beloved Supreme Commander Comrade Kim Chong-il is a brilliant commander who has matchless courage and iron-like will. Matchless courage and iron-like will are the disposition and features that a brilliant commander should have. The respected and beloved Supreme Commander Comrade Kim Chong-il's courage is precisely the courage of imperturbability which is not shaken by any powerful enemy and which does not falter under any circumstance.

The respected and beloved Supreme Commander Comrade Kim Chong-il regards the enemies' grave military provocations or threat and blackmail as a last-ditch struggle of those who are dying. He smashes any powerful enemies without the slightest degree of hesitation and trepidation by [words indistinct].

The courage of a brilliant commander clearly finds expression not only in his imperturbable act of not being shaken by anything, but also in his courageous decision and firm will to achieve a victory by making a stern decision and an immediate dashing whenever an opportunity presents itself.

In the sixties, seventies, eighties, and even today's nineties we have experienced many times a grave stage of trial which determines whether our country's supreme interests can be defended or trampled underfoot. On the days of grave trial when the world expressed concerns and the entire nation paid sharp attention the respected and beloved comrade supreme commander smashed the imperialists' and reactionaries' counterrevolutionary offensives through a revolutionary offensive with the stern determination and firm will that the revolution's supreme interests, the country's sovereignty, and the nation's dignity cannot be yielded to anyone.

Thanks to such stern determination and bold decision by the respected and beloved comrade supreme commander, our people have become the (?powerful) peo-

ple who do not fear any enemy and who can heroically surmount any difficulties.

Indeed, the respected and beloved Supreme Commander Comrade Kim Chong-il is the great man of great men and the commander of commanders who is demonstrating at the highest plane all features and talent that a leader of the revolution, a great politician, an outstanding military strategist, and a leader of the people should possess.

The source of the powerful might that make it possible for our Army and people to be ever-victorious and invincible lies precisely in upholding the great Commander Comrade Kim Chong-il as their supreme commander. Also, herein lies the guarantee for their all victories.

That our people and Army have been are ever-victorious and invincible is because we have the revolutionary Armed Forces which are firmly prepared under the Supreme Commander Comrade Kim Chong-il's leadership politically, ideologically, militarily, and technologically and who have powerful striking means [kan-gryokhan takyok sudan].

Political and ideological superiority is the inherent superiority of our revolutionary Army. It is also the source of invincible strength which makes it possible to smash any aggressors and, thus, to win victory. The secret which makes it possible for the revolutionary Army to defeat the enemy who is superior in number and technologically lies precisely in its political and ideological superiority.

The respected and beloved comrade supreme commander has energetically led the work of strengthening and developing the People's Army into the ranks of loyalists and dutiful children who are infinitely loyal to the party and the leader [suryong].

In the seventies the respected and beloved comrade supreme commander presented the great Army building line of modeling all the Army after the chuche idea. Since then he has wisely organized and led the struggle for its realization.

As a result, the chuche idea has been firmly established in the People's Army, and all officers and men are firmly united as one united body around the party and the leader [suryong]. At the same time, a revolutionary military ethos, in which all the Army moves as one according to the respected and beloved comrade supreme commander's order, has been thoroughly established.

All officers and men are burning with the single desire to fight for the respected and beloved comrade supreme commander, devoting their lives, and are ready even to jump into fire and water without hesitation at any time

in response to the comrade supreme commander's order. This is precisely the noble ideological and mental ethos of our People's Army.

Fostering soldiers into fighters of one-a-match-for-100 who are prepared militarily and technologically is an important requirement for strengthening the might of the People's Army. The respected and beloved comrade supreme commander has wisely led the People's Army to be thoroughly prepared militarily and technologically.

By upholding the respected and beloved Supreme Commander Comrade Kim Chong-il at the highest position of the revolutionary armed forces our People's Army has grown up to be a matchless, invincible army which has been firmly prepared politically, ideologically, militarily, and technologically and which has been equipped with mighty means of attack and modern means of defense.

Only when there exists the strong main force of the revolution which can be guaranteed by singlehearted unity, that is, the strong political and ideological strength, can we achieve victory in the confrontation of force with the imperialists.

That our people and Army have been ever-victorious and invincible is because the great leader [yongdoja] Comrade Kim Chong-il is upheld at the highest positions of the party and the Army and the entire party, all the Army, and all the people are firmly united as one mind around the center of the leadership.

When the people and the Army have infinite loyalty to their leader [suryong], their leader [yongdoja] and, based on this, are united as one mind socialism is victorious, and when the popular masses and the Army are disarmed and divided ideologically socialism perishes.

Today, the singlehearted unity of the leader, the party, and the masses with the respected and beloved Supreme Commander Comrade Kim Chong-il as the center has been firmly deepened in our country, and the firm unity of the party, the Army, and the people has been also consolidated.

Our party, Army, and people have been firmly rallied politically and ideologically around the respected and beloved Supreme Commander Comrade Kim Chong-il, the genius of ideology and theory, the genius of leadership, the iron-willed commander, and the benevolent father.

Our strength — in which all the Army has been rallied around the respected and beloved comrade supreme commander and all the people have been firmly united as one mind — is extraordinarily mightier than any nuclear weapon.

Our Army and people — who uphold as the supreme commander the great leader [yongdoja] Comrade Kim Chong-il, the great ideologist and theorist, the great leadership artist, and the ever-victorious and iron-willed commander, whom all people revere and applaud — will be victorious and invincible.

Kim Chong-il Praised as 'Brilliant' Commander

SK2212083295 *Pyongyang KCNA in English*
0805 GMT 22 Dec 95

["Great, Iron-Willed Brilliant Commander" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — December 24 is the fourth anniversary of the election of the great leader Comrade Kim Chong-il as supreme commander of the Korean People's Army.

The Korean People's Army has brought an epochal turn in its development since it held Comrade Kim Chong-il in high esteem as its supreme commander.

Comrade Kim Chong-il has made public numerous works including "Let Us Further Strengthen the People's Army Into Matchless Ranks" to give overall exposition of all theoretical and practical questions arising in the building of the revolutionary armed forces and strengthened and developed the Korean People's Army into invincible Armed Forces with his energetic leadership.

He put forward a new policy of modelling the whole army on the chuche idea and, on this basis, clearly indicated the general direction and target, tasks and ways of army building.

What he attached importance to in increasing the combat power of the army was the single-hearted unity of the whole army based on loyalty to the party and the leader.

He, regarding loyalty to the party and the leader as the life and soul of the army, has trained the whole army to be an army which has iron military disciplines of moving as one according to the orders and instructions of the party. The complete ideological unity sharing destiny and sweets and bitters with the same idea for the country and the people, this is the feature of the Korean People's Army which has grown up under the loving care of the great brilliant commander.

It is one more great exploit of Comrade Kim Chong-il in the cause of army building that he has built up the powerful self-reliant national defence industry and strengthened the Korean People's Army into a matchless, strong army.

He has developed the modern national defence industry with local efforts and technology through his consistent

on-the-spot guidance with his deep insight into the significance and role of arms and equipment in the war and the characters of modern warfare.

As a result, the Korean People's Army has been trained into an unrivaled, strong army which has all arms and equipment enough to defeat any formidable enemy.

Comrade Kim Chong-il has not only wisely organized and led the work of putting all people under arms and turning the whole country into a fortress but also taken all measures for keeping the traditional trait of army-people unity in fuller bloom.

The kindred unity of the army and the people like a family, all people under arms, the conversion of the whole country into an impregnable fortress fully prove the outstanding leadership feats of the great brilliant commander.

People 'Dutybound' To Provide Support to KPA

SK2212085495 *Pyongyang KCNA in English*
0844 GMT 22 Dec 95

["Korean People's Noble Trait Towards People's Army"
— KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — Korean society is proud of the trait of loving and assisting the People's Army, which is steadily developing onto a new higher stage on the basis of revolutionary tradition of assisting the army created during the anti-Japanese war, says NODONG SINMUN in an article today.

The author of the article says:

The Korean People's Army [KPA] has an ever-victorious history during which the kinship between the army and the people has been incessantly consolidated under the leadership of the great leader President Kim Il-song and during which the noble ideological and mental traits of the Korean people for the People's Army have developed onto a new higher stage.

Now the Korean people consider active assistance to the People's Army to be a noble and bounded duty and do their best for the soldiers of respected supreme commander Comrade Kim Chong-il.

The trait of loving and actively assisting the People's Army, rife among the Korean people, represents the lofty ideological sentiments regarding them as soldiers of respected General Kim Chong-il and is based on their unshakable belief that they defend security of the motherland and create the people's happiness.

Fighting shoulder to shoulder with the People's Army for a long period the Korean people have keenly felt

that it is, indeed, a matchless strong army capable of smashing any aggression of the enemy at a stroke and safeguarding the motherland and a genuine army for the people which devotes all for prosperity of the country and the motherland and happiness of the people.

Therefore, the Korean people render active assistance to the People's Army, considering it to be their duty and revolutionary obligation.

This trait represents a brilliant embodiment of the idea of army-people unity, which was advanced by the great leader Comrade Kim Chong-il.

The Korean people will, in the future, too, fulfill their revolutionary obligation by caring and sincerely assisting the soldiers of Comrade Kim Chong-il, defend socialism and dynamically press ahead with the revolution and construction with the might of an integral whole of the army and the people.

Throngs Visit Museum of People's Armed Forces

SK2212093895 *Pyongyang KCNA in English*
0820 GMT 22 Dec 95

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — Soldiers of the People's Army, public security workers and people from all walks of life, more than 30,000 all told, have visited the Revolutionary Museum of the Ministry of the People's Armed Forces in the last 20-odd days on the occasion of the fourth anniversary of the election of the great leader Comrade Kim Chong-il as supreme commander of the Korean People's Army.

On display at the museum are a large number of relics and materials intensively showing the brilliant exploits performed by respected supreme commander Comrade Kim Chong-il in the chuche- oriented cause of army building.

The visitors heard explanations about the wise leadership given by the respected supreme commander to strengthen the whole army into the ranks which single-mindedly follow the party and the leader with loyalty and filial piety and arm all units more firmly with powerful and modern weapons and combat and technical equipment, giving on-the-spot guidance to many units of the People's Army and military academies at all levels and other units from the 1960s, and expressed deep thanks to him for this.

They evinced their determination to become bullets and bombs resolutely safeguarding Comrade Kim Chong-il who is triumphantly leading the cause of independence against imperialism, frustrating all reckless provocation moves of the imperialists, and make new successes in

production and construction to make their country, their motherland more prosperous.

Kim Chong-il Praised as 'Savior of Nation'

SK2212094495 *Pyongyang KCNA in English*
0839 GMT 22 Dec 95

["General Kim Chong-il, Saviour of Nation" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — South Korean people are now more loudly expressing their reverence for and praise of the great leader Comrade Kim Chong-il.

In this connection, the Pyongyang mission of the National Democratic Front of South Korea (NDFSK) called a press conference on Thursday [21 December].

On display at the press conference hall were pictures of the respected General Kim Chong-il and pictures of his on-the-spot guidance, which were recently carried by South Korean publications as special writeups, and other pictures showing the unbounded reverence of South Korean people for him and their faith and will to follow him.

Yi Chong-sang, chief of the mission, told reporters:

This year was a year in which the people in the South more deeply felt the national pride of holding respected General Kim Chong-il in esteem as the saviour of their destiny.

Characteristic of public sentiment in the South is that the tender-hearted image of general Kim Chong-il has been steadfastly kept in the hearts of the patriotic people of broad segments.

It has become natural for the people in the South to harden their faith and will, looking up to the picture of the general openly in the teeth of the authorities' suppression. They call him "the great leader Comrade Kim Chong-il" and "Comrade Kim Chong-il, the brilliant sun of the nation".

Press media in the South are vying with one another in reporting about the greatness of the general, Yi Chong-sang said, and went on:

Up to December 20 this year after the death of the great leader President Kim Il-song, they carried articles on the greatness of the general in form of special writeups on more than 980 occasions. Among them were articles entitled "Opening of Kim Chong-il Era" and "Kim Chong-il, leader of the 21st Century".

People in the South are highly praising him as a peerless brilliant commander, who is possessed of distinguished military arts, superb strategy, great courage and grit.

They revere him all the more deeply as he is the general of Paektusan type who was born on Mt. Paektu.

The Paektu Society, the February 16 Society, the Chongilbong Society and many other organizations decided to set the 16th of February as "day of chuche" from this year and held meetings to mark this day.

The Society for the Study of Kim Chong-il's Works, the Group for the Study of Kimchongilism, the Kim Chong-il's Works Research Academy and other organizations were formed in 48 areas across South Korea.

The chief of the mission declared that such a great man as respected General Kim Chong-il is the only one in the world.

As they hold General Kim Chong-il in high esteem as saviour of the nation, the sun of guide, the prospect of national reunification, the 70 million Koreans have so ardently aspired after, is optimistic, he stressed.

Kim Chong-il Hailed as 'Supreme Commander'

SK2212091195 *Pyongyang KCNA in English*
0901 GMT 22 Dec 95

["Our Great Supreme Commander" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — Comrade Kim Chong-il, supreme commander of the Korean People's Army, is an ever-victorious iron-willed brilliant commander, a matchless military strategist, a peerless hero, an outstanding general as well as a great general of the people who is versed in literary and military accomplishments and equipped with intelligence, virtue and courage, stresses NODONG SINMUN in an article today.

The great leader Comrade Kim Il-song said:

"I regard it as a pride to have General Kim Chong-il, another general in our country."

The author of the article says:

The ever-victorious history of the great leader Comrade Kim Il-song is now followed by the history of General Kim Chong-il, another great general produced by Korea.

On December 24 four years ago, Comrade Kim Chong-il, one more Mt. Paektu-type general, who is just the same with Comrade Kim Il-song in ideology, leadership, intelligence, courage and benevolence, was elected supreme commander of the Korean People's Army. This historic event has weighty significance in the destiny and future of the Korean revolution and people, which has become more glaring with each passing day.

Our respected supreme commander Comrade Kim Chong-il is a great man who was born as a man of

general type and had grown up to be a rare brilliant commander in the thick of the rigorous revolution.

The absolute prestige as general, attained by Comrade Kim Chong-il along with a long-standing worship of the people, unprecedented in any history of great men, is now exalting its might as an absolute prestige of the supreme commander.

The high prestige of Comrade Kim Chong-il as the supreme commander is the prestige of the great general's distinguished ability, the historic prestige he earned by making outstanding exploits and accumulating rich experience in army building for a long time.

Comrade Kim Chong-il is a veteran and seasoned military leader who has rich experiences and exploits through history of decades, in which he has led the building of chuche-based revolutionary armed forces.

His prestige is the steadfast and eternal one which no force can impair. It is a high dignity of our army, the source of inexhaustible militant power and an eternal life.

The proud look of the present-day socialist Korea that is unyieldingly progressing ahead, frustrating all sorts of challenges of the imperialists' allied forces under the banner of socialism in the vortex of history is a result of the matchless courage and ironlike will of the respected supreme commander General Kim Chong-il.

The heroic Korean People's Army fully displays its might as matchless strong army which is not afraid of any formidable enemy.

The invincible mettle of our proud and dignified army and motherland is just the mettle of General Kim Chong-il.

The world-startling personality of the invincible general, Comrade Kim Chong-il, is the great and sacred personality of the general which gives conviction of the future of the motherland and the nation and the future of humankind.

Our eternal general, eternal supreme commander is Comrade Kim Chong-il, an unprecedented general in history, who has performed undying exploits in the past history and is brightly lighting the new century.

Foreign Students Praise Commander Kim Chong-il

*SK2212094795 Pyongyang KCNA in English
0848 GMT 22 Dec 95*

[Spelling of names as received]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — Students of Syria and Palestine studying here held a roundtable conversation on December 21

on the occasion of the fourth anniversary of the election of the great leader Comrade Kim Chong-il as supreme commander of the Korean People's Army [KPA].

The participants said that the election of respected General Kim Chong-il as supreme commander of the KPA is giving great joy and inspiration not only to the KPA and the Korean people but also to the world progressives.

Asper Dibshahada said that General Kim Chong-il grew up, hearing the gun report as a lullaby and fully personified the resourcefulness and spirit of Mt. Paektu. "He gave scientific exposition of all the questions for the building of the revolutionary armed forces and their strengthening and development and put forward new military tactics needed for modern warfare in his twenties," he added.

Aezdin Tammu noted:

"General Kim Chong-il is the most famous general and an outstanding military strategist. He has not only trained the KPA into a match-for-a-hundred strong army but also built a powerful modern defence industry to constantly strengthen and develop the arms and equipment of the KPA.

"Under his wise guidance, the KPA has today been fully prepared for modern warfare. It is a steel-like unit with strong offensive and defensive means."

The participants in the roundtable conversation said that General Kim Chong-il is a peerless brilliant commander with clairvoyant military intelligence, strategy and ever-victorious commandship, who puts forward superb strategy and tactics and war methods which no one can think.

Military Attaches Send Letter to Kim Chong-il

*SK2212084395 Pyongyang KCNA in English
0832 GMT 22 Dec 95*

["Letter to Comrade Kim Chong-il From Military Attaches Corps" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — The great leader Comrade Kim Chong-il received a letter from the corps of military attaches of foreign embassies in Korea on the occasion of the 4th anniversary of his election as supreme commander of the Korean People's Army [KPA].

It was handed to Choe Kwang, minister of the People's Armed Forces, by military attache of the Vietnamese Embassy in Pyongyang Tran Thuc, doyen of the corps of military attaches today.

The doyen of the corps said that the heroic KPA has strengthened and developed into the powerful up-to-date armed forces which defend the Korean gains of socialism and ensure peaceful conditions for the creative labour of the people under the wise leadership of General Kim Chong-il.

He expressed the belief that the Korean people and People's Army will win victory in the just struggle to defend the country against the aggressive moves of the enemies and to reunify the country under the wise leadership of Comrade Kim Chong-il.

He wished Marshal Kim Chong-il, supreme commander of the Korean People's Army, a long life in good health and a new success in his noble work for socialist construction and strengthening of national defence capacity.

'Internal Trouble', 'False Propaganda' Denied

SK2212030295 *Pyongyang KCNA in English*
0252 GMT 22 Dec 95

["Dastardly Anti-DPRK Smear Racket" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — The South Korean puppets are these days getting overheated with vicious false propaganda against the DPRK and some Western publications are joining in this.

"Worsening internal situation of North Korea" and "possible provocation by the North" spread by the South Korean puppets and some Western venal publications are nothing but a groundless rumour seeking a dastardly purpose.

Any "internal trouble" cannot be and does not exist in our Republic, which is a big harmonious family and is united in one mind.

It is not the North but the South Korean puppets who are in a "worsening internal situation."

The political situation of South Korea is now in a great confusion owing to the "slush fund scandal" of No Tae-u, and Kim Yong-sam is in the worst crisis of government after he took office.

So, the South Korean puppets invented the "possible southward invasion by the North" in an effort to find a way out of crisis.

We have maintained that the country must be reunified peacefully through confederacy. This is our invariable stand.

It is thanks to our peace efforts that peace and stability have been maintained on the Korean peninsula.

This notwithstanding, the South Korean puppets are loud-mouthed about "possible southward invasion by the North". This only reveals their ugly and bellicose nature.

Acting in concert with the false propaganda of the South Korean puppets, the United States is clamouring about "threat from North Korea." This is intended to justify the presence of the U.S. troops in South Korea, find a pretext to stifle the DPRK with the military strength and, furthermore, save its northeast Asian regional military strategy from crisis with the DPRK as a scapegoat.

However, falsity is powerless before truth.

The South Korean puppets and some Western publications would be well advised to cool their heads heated with anti-DPRK smear propaganda and act with prudence.

Increase in Coal Production Demanded

SK2212062495 *Pyongyang MINJU CHOSON*
in Korean 31 Oct 95 p 3

[Article by Chon Kyong-no: "Increasing Coal Production Is a Fundamental Demand for Implementing the Party's Revolutionary Economic Strategy"]

[FBIS Translated Text] Our people's economy, which is further developing with each passing day thanks to our party's far-reaching plan and strategic intention, urgently demands that coal production be increased constantly and rapidly. Furthermore, the demand for coal is ever-growing as upsurges are brought about in production at all sectors and units and as many plants have been built or put into operation on the occasion of the 50th anniversary of the party's founding.

Foreseeing this, our party has taken an epochal action to effect a revolutionary turn in coal production. We should place emphasis on the coal industry and properly meet the demands of the people's economy for coal. This is presently an important task of policy to which we should adhere in our economic work.

Increasing coal production rapidly is a priority demand arising in implementing the party's revolutionary economic strategy.

The great leader [yongdoja] Comrade Kim Chong-il has indicated: In accomplishing the strategic targets of the economic construction established by the party, it is important to give priority to the leading sectors of the people's economy, the coal and power industries, and the railway sector, and develop the metallurgical industry.

In establishing the revolutionary economic strategy, our party has significantly stressed the need to give firm

priority to the coal industry, which is a leading sector of the people's economy.

Our party's intention revealed in stressing the need to give firm priority to the coal industry as a priority demand of the revolutionary economic strategy has proceeded from the consideration of the important position the coal industry holds in socialist economic construction.

Coal is a precious material, fuel, and the source of energy critically essential to every sector of the people's economy. Coal is the nourishment of industry and is a precious resource not less substantial than gold for the economic construction and the people's living. This is precisely the reason why our party compares the preciousness of coal to that of gold, and thus calls it black gold. It can be said that coal production is the beginning of economic work.

Proceeding from this, our party defines the coal industry as the forefront of the great offensive operations to attain the revolutionary economic strategy of the party and the forefront of the people's economy, and urges firm priority in coal production.

Increasing coal production is, first of all, a prerequisite to thoroughly implementing the party's agriculture-first, light industry-first, and foreign trade-first policies according to the demand of the revolutionary economic strategy.

Above all, coal production should be rapidly increased to thoroughly implement the agriculture-first policy of the party.

One of the important issues in implementing the agriculture-first policy of the party is to adequately supply chemical fertilizers and pesticides. To increase the production of chemical fertilizers and various pesticides, coal should be supplied expeditiously and sufficiently to the Hungnam Fertilizer Complex and other chemical fertilizer plants and to those enterprises and plants which produce pesticides. Only then will it be possible to ensure the adequate supply of chemical fertilizers and pesticides needed in the fertilizing year by stabilizing the production of chemical fertilizers and pesticides at these plants and enterprises at a high level and to fully display the superiority of the scientific fertilizing system of the chuche farming method.

Coal needed for the production of various farm materials should also be properly supplied to successfully implement the party's agriculture-first policy. Farm materials such as vinyl sheets and polyethylene resin pipes needed for the dry field irrigation and other necessary farm work should be extensively produced and supplied

to the rural areas. To this end, coal should be supplied in advance.

In thoroughly implementing the party's light industry-first policy, too, the coal supply is also a priority task.

In our country many light industrial plants have been built in the central and rural areas under the wise leadership of the party, and these plants' production capacities are enormous. Therefore, if these plants are fully operated, the production of light industrial products can be increased drastically and the people can live a richer life. Along with other necessary materials, fuel must be supplied for the full operation of all light industrial plants — textiles, garments, footwear, foodstuffs, daily necessities, and cultural goods — which have been built everywhere across the country. In this regard, coal is precisely what is most important in the supply of fuel for the light industrial plants. Only through sufficient coal supply can the textile plants make the steam they need and can energy be reliably supplied to such foodstuff plants as soy sauce, cornstarch, meat processing, and fruit processing plants.

Increasing coal production is a priority work also in implementing the party's foreign trade-first policy.

Today, numerous export goods production bases have been established everywhere across the nation. Export garments plants and other kinds of export goods processing plants and enterprises have been countless built and organized in all provinces, cities, and counties, and these plants and enterprises are playing an important role in developing the country's foreign trade. In order that all these export goods production bases can fully display their capabilities, coal, which they need, should be supplied on a top-priority basis. Only if coal is supplied sufficiently can these plants and enterprises contribute to developing foreign trade by constantly increasing the production of quality export goods.

Thus, increasing coal production rapidly is an urgent task which should be accomplished before anything else to thoroughly implement the three tasks; the agriculture-first policy, the light industry-first policy, and the foreign trade-first policy.

Second, increasing coal production decisively is a prerequisite to placing the power industry and the railway sector in the fore and constantly developing the metallurgical industry.

For thermal power plants, coal is equivalent to electricity. Even if we consider the coal supply needed only for those thermal power plants which are currently in operation — the Pukchang Thermal Power Complex, the Pyongyang Thermal Power Complex, the Chongchon-kang Thermal Power Plant, the Chongjin Thermal Power

Plant and some other thermal power plants — this demand alone is already tremendous. Moreover, new thermal power plants such as the December Thermal Power Plant are currently under construction and major plants have their own thermal power plants. All these thermal power plants should be put into full operation. Only then can the country's overall issue of electricity be smoothly settled; the party's power production target attained; and the power industry placed ahead of all sectors of the people's economy according to the demand of the party's revolutionary economic strategy.

The question of putting the railway sector to the fore, too, is also impossible without coal supply. Coal is urgently needed not only by those plants and enterprises which are under the railway sector but also for the operation of the railway sector itself.

In addition, coal is presently urgently demanded also in meeting the party's call for developing the metallurgical industry. Our party's chuche-oriented iron and steel production method is based on the utilization of our country's rich ore resources and coal. Only when quality coal is sufficiently produced and supplied can the superiority of the iron and steel production method of our own style be fully displayed and iron and steel production reliably stabilized.

As elucidated above, increasing coal production rapidly is a priority demand for implementing the party's revolutionary economic strategy.

Today, the struggle to increase coal production is an important task which comes to the fore as a most urgent issue in struggling to support the party's economic construction plan and brilliantly implement its revolutionary economic strategy. It can be said that the overall economic development of the country and the epochal improvement of the people's standard of living generally depend on how rapidly coal production is increased.

All functionaries and working people should deeply realize how important it is to increase coal production now and should concentrate their efforts on placing the coal industry in the fore. By so doing, they should brilliantly accomplish the party's revolutionary economic strategy. All functionaries and working people, with the pride and confidence that they have glorified the 50th anniversary of the founding of the Workers Party of Korea as the grand festivals of winners, should further enhance the spirit which had already been enhanced in the struggle to implement the slogans of the party Central Committee and should surely make epochal progress in producing coal.

New upsurges will be certainly brought about in coal production when the functionaries and colliers of the

coal industry honorably accomplish their mission as those responsible for the coal production of the country, and when all sectors of the people's economy further intensify support to the coal industry.

Exhibition of Landscape Paintings, Crafts Opened

*SK2212093795 Pyongyang KCNA in English
0817 GMT 22 Dec 95*

[FBIS Transcribed Text] Pyongyang, December 22 (KCNA) — A national exhibition of landscape paintings and craft products opened on the occasion of the fourth anniversary of the election of the great leader Comrade Kim Chong-il as supreme commander of the Korean People's Army and the birth anniversary of Comrade Kim Chong-suk, an indomitable communist revolutionary fighter.

On display at the exhibition hall are more than 300 pieces of landscape paintings, woodcut and other products which fully represent the original policy of respected General Kim Chong-il on literature and art.

The pencil painting "The Primeval Forest of Mt. Paektu," the woodcut "Lake Chon in Sunshine" and other works portray on a high artistic level the general view of Mt. Paektu in which respected supreme commander Comrade Kim Chong-il grew up.

Also exhibited there are "Kimilsongia," "Kimchongilia" and other embroidery works created by many embroiderers of Korea, representing the ardent feelings of the Korean people who deeply revere Comrade Kim Chong-suk.

Chang Chol, vice-premier of the Administration Council and minister of culture and art, delivered an address at the opening ceremony of the exhibition which was held on December 21.

GFTUK Delegation Returns From France

*SK2212052795 Pyongyang Korean Central
Broadcasting Network in Korean
1300 GMT 14 Dec 95*

[FBIS Translated Text] The General Federation of Trade Unions of Korea [GFTUK] delegation led by Yi Chin-su, vice chairman of the GFTUK Central Committee, returned home on 14 December by train after participating in the 45th congress of the French General Workers League. Chang Chae-yong, vice chairman of the GFTUK Central Committee, welcomed the delegation at Pyongyang Station.

South Korea**U.S. 'Constantly Vigilant' Against Aggression**

SK2112022095 Seoul YONHAP in English
0042 GMT 21 Dec 95

["U.S. Constantly Vigilant Against N.K. Forces: Christopher" — YONHAP headline]

[FBIS Transcribed Text] Washington, Dec. 20 (YONHAP) — On heightened concerns over North Korea's military posture, United States Secretary of State Warren Christopher said Wednesday that Washington is "constantly vigilant" with respect to the communist nation's forces.

"The 37,000-38,000 American troops that are there in Korea join with the Korean forces in a constantly vigilant defense, and that will not change," Christopher said at a year-end press conference.

Although important steps have been taken to freeze Pyongyang's alleged nuclear arms program, problems with North Korea have not ended, according to the secretary.

"We hope that the North Korea-South Korea dialogue can begin and be effective in trying to ease the tensions between those two countries," he remarked, "but as long as those tensions remain, the United States troops will remain there, and we'll have a very determined posture toward any aggressive intentions from the North."

Alluding to the recently-concluded agreement between Washington and Pyongyang on the supply of light-water reactors to North Korea, Christopher said, "I think it's significant that we worked out a plan for... furnishing the light-water reactor." He added that the discussions in New York have "gone reasonably well, everything considered."

"And we'll continue to hope that North Korea decides to take the path toward joining the world community, and we'll offer them a full opportunity for that."

Perry's Remarks on DPRK Military Activities

SK2212020395 Seoul YONHAP in English
0151 GMT 22 Dec 95

[FBIS Transcribed Text] Washington, Dec. 21 (YONHAP) — Washington is not alarmed by the recent increase in North Korean military activity, U.S. Secretary of Defense William Perry said Thursday.

Having asked U.S. Forces Korea (USFK) Commander Gen. Gary Luck whether the American military stationed there should change its deployment and alert status in response to Pyongyang's exercises, Perry quoted Luck as saying that such actions are unnecessary.

"If we look over the last 10 to 20 years, they (North Koreans) are at the upper end of the scale of the intensity of exercises historically, but they are not off the scale," Perry said.

The defense secretary was speaking at a Department of Defense press briefing on America's peacekeeping mission in Bosnia.

Gen. John Shalikashvili, chairman of the Joint Chiefs of Staff, agreed with Perry by saying that the current posture of USFK are correct for the moment.

"We're watching the situation very carefully and want to make sure that we have focused our intelligence systems on the area, which we have done," he said, "and that I stay in very close touch with our commanders in Korea and in the Pacific so that we are all seeing the same situation."

Perry, however, said that North Korea's winter maneuvers this year involve more activity than last year, and pointed out that he put the communist nation at the top of his watch list as soon as he became defense secretary.

"So we are watching, we'll continue to watch them carefully, but are not alarmed by it," he said, adding that the framework agreement between the United States and North Korea has been proceeding on schedule.

Meanwhile, State Department spokesman Nicholas Burns, in a separate press briefing, noted that the 1 million-dollar aid package promised to North Korea by the international community falls far short of the 15 million dollars the United Nations believes is needed.

"We hope very much that the international community will respond to the U.N.'s call for further donations," he said, adding that Washington has given a total of 225,000 U.S. dollars in disaster assistance to the Stalinist state.

"We will continue to look at this situation closely, and if we do receive additional request for aid, then we will weigh this request very carefully against requests that we have on a humanitarian basis from other countries around the world because we do have limited funds," the spokesman remarked.

Mar U.S. Opening of North Liaison Office Denied

SK2212123495 Seoul YONHAP in English
1229 GMT 22 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 22 (YONHAP) — The Foreign Ministry on Friday evening denied as "totally unfounded" some local press reports that the United States has informed Seoul of the decision to open its liaison office in Pyongyang by March next year.

A ministry spokesman said no time has been decided for the opening of a U.S. liaison office in North Korea to date when a set of administrative and technical problems remain unsettled.

"After these problems were settled, there will be close advance consultations between South Korea and the United States before Washington decides the time of the creation of its Pyongyang liaison office," the spokesman said.

Red Cross Official on Food Situation in DPRK

SK2112233095 Seoul CHUNGANG ILBO in Korean
21 Dec 95 p 9

[Interview with Pierre Kalvie Parisetti [name as transliterated], head of the International Red Cross Society's Relief Corps, on 19 December in Beijing by correspondent Mun Il-hyon]

[FBIS Translated Text] I met with Pierre Kalvie Parisetti (35, Italian), head of the International Red Cross Society's Relief Corps, on the afternoon of 19 December at the Heping Hotel in Beijing. He had visited North Korea for two months, from 10 October, to carry out relief activities following the flooding in North Korea and talked about the actual situation in North Korea.

[Mun Il-hyon] Which regions did you visit?

[Pierre Kalvie Parisetti] You can say that I visited almost all of the flood-stricken areas. In the northern region, I visited Sinuiju (North Pyongan Province) and Huichon (Chagang Province); in the southern region, I visited Unpa and Yonsan (North Hwanghae Province); and I also visited the northeastern and northwestern regions, as well as places south of Pyongyang.

[Mun] What were the people suffering from?

[Parisetti] I can only talk about the people I personally met. What is clear is that the situation is very serious. First of all, houses and warehouses for storing grain have been washed away, and in some areas sandy soil is piled up as high as one meter. The volume of harvesting has also been greatly reduced. Flood victims are very much worried about how to secure food for the next several months.

[Mun] Can you talk about this more in detail?

[Parisetti] The most serious problem is the lack of food. When there were food shortages in regions such as Africa in the past, malnutrition was already widespread, and so the International Red Cross Society started its relief work, but North Korea does not yet fall into that category. The children's body weights do not meet World Health Organization standards, but they are not yet suffering from malnutrition.

[Mun] Some organizations are saying that the elderly, pregnant women, and children are already showing signs of malnutrition.

[Parisetti] We have not made such a report. There was no time to investigate whether they were suffering from malnutrition. I am a doctor of medicine, but among the people I met, there were no such people. However, in the event of a food shortage, it is natural that the elderly, pregnant women, and children will suffer from malnutrition first.

[Mun] How many meals did the flood victims eat in a day?

[Parisetti] Farmers whom I met said that food rations were cut in half, and they were very worried about provisions until next year's harvesting.

[Mun] Do you think that if there is no international assistance, it will lead to starvation?

[Parisetti] There is that possibility.

[Mun] What is the amount of food rations being distributed to the people?

[Parisetti] After the flooding, food rations were cut in half compared to the past. In particular, farmers who received food rations one year in advance early this year have lost them all due to the flooding. They are currently wholly dependent on relief from the International Red Cross Society.

They are receiving 450 grams of food daily from the International Red Cross Society. This means that 130,000 people require 1,750 tonnes of food each month.

[Mun] Even before the flooding some regions had not received food rations for two months.

[Parisetti] Due to natural disasters such as typhoons and drought in 1994, the yield was greatly reduced; thus, food rations were also reduced. To make matters worse, this summer there was flooding, making the situation all the more difficult.

[Mun] To what extent do you think the flooding has worsened North Korea's grain shortage?

[Parisetti] North Korean authorities have told us that 40 percent of the arable land was damaged and that over a third of the estimated crop was lost.

[Mun] Was the fuel shortage serious?

[Parisetti] It was difficult to get wood because there are no trees in the mountains. This made the lives of the flood victims twice as hard.

[Mun] Which area did the flooding affect most seriously?

[Parisetti] I cannot tell. There was not much difference region by region.

[Mun] How were the flood victims feeling about the situation they were in?

[Parisetti] I felt they were very courageously coping with the flooding. Husbands and wives were repairing their broken houses or building new ones. They were working with one mind to overcome the difficulties.

[Mun] Some people point out that North Korea's flood damage was exaggerated. Would you comment?

[Parisetti] I am not in a position to confirm whether it was or not. We consider North Korea's announcement on the damage to be true, and the International Committee of the Red Cross will carry out its relief activities based on that announcement.

[Mun] How was Pyongyang?

[Parisetti] Pyongyang was not affected by the flooding at all.

[Mun] How were other cities?

[Parisetti] I visited Sinuiju, Kaesong, Huichon, and other flood-stricken areas. I also visited Nampo and Wonsan to get relief goods. Huichon was damaged relatively seriously. Buildings in downtown areas had marks at two meters, marks indicating the water level at the time of the flooding. There were no buildings left outside the downtown areas, and there was only sand brought by the flooding. It looked like a desert. It was truly horrible.

[Mun] Where were the flood victims staying?

[Parisetti] It seemed that a half of the 500,000 flood victims were living in newly built houses. The rest were living in houses not affected by the flooding; two families were living in one house. North Korea faced difficulties in repairing or rebuilding houses. It was short of glass and other building materials. North Korea will have difficulty coping with this cold winter.

[Mun] Were roads, bridges, and other components of the infrastructure damaged?

[Parisetti] There were very many areas you could not get to because bridges were damaged. A large dam capable of storing 12 million square meters of water in Yonsan 80 km south of Pyongyang disappeared.

[Mun] Some people point out that North Korea is preparing for a war to break through the worst situation. Would you comment?

[Parisetti] I did not feel North Korea was preparing for a war. I felt the same way when I visited a village near the DMZ for the first time as a foreigner.

Questions Arise on Status of North's Premier

SK2012090295 Seoul CHOSON ILBO in Korean
20 Dec 95 p 15

[Report by Kim Yon-kwang]

[FBIS Translated Text] North Korean Premier Kang Song-san has not appeared at official functions for over two months, thus giving cause for various speculations.

The most convincing reason is, above all, deterioration of his health. Premier Kang failed to appear at official events for over two months after he took office on 11 December 1992. However, he attended the mass gymnastics event staged by youths and students in Pyongyang to celebrate Kim Chong-il's 51st birthday on 16 February 1993.

Yi Hang-ku, an expert on North Korean affairs, stated that "Kang Song-san suddenly fainted while delivering a speech during his inauguration ceremony, and underwent treatment at a North Korean hospital." Premier Kang is known to be suffering from diabetes.

Some experts, however, point out the possibility that Premier Kang may have been reprimanded for failing to make any noteworthy achievements in economic tasks for over two years since the start of the economic adjustment period.

It is too early to say that Premier Kang Song-san has been dismissed, because, while merely a formality, his name is still used in exchanging messages with foreign prime ministers. Messages were sent in the name of Kang Song-san to the premiers of Romania, Laos, and Thailand. Furthermore, a 15 December congratulatory message from Chinese Prime Minister Li Peng was addressed to Kang Song-san.

Unification Minister Kwon Interviewed on North

SK2112122295 Seoul CHOSON ILBO in Korean
21 Dec 95 p 4

[Interview with Kwon O-ki, newly-appointed deputy prime minister and minister of unification, by reporter Song Ui-tal: "New Faces in the 20 December Reshuffle of Cabinet and the Presidential Secretariat" — date and place not given; first paragraph is CHOSON ILBO introduction; last three paragraphs are a CHOSON ILBO profile of Kwon O-ki]

[FBIS Translated Text] Kwon O-ki (63), who was recently appointed as the new deputy prime minister

and the minister of unification, stated: "During my term of office, I will see to it that step-by-step measures are taken to facilitate unification instead of attempting drastic achievements."

[Song] What are your feelings on assuming office?

[Kwon] I am still bewildered. I never thought I was fully qualified to be deputy prime minister and minister of unification. However, I accepted the President's advice and assumed the office, yielding to his strong and earnest inducement after courteously refusing a few times.

[Song] When were you first induced?

[Kwon] In early December.

[Song] What do you think the main reason is for your appointment as deputy prime minister?

[Kwon] My work related to unification is very important, and my involvement in the press for many years might have led people to think I am familiar with the trend of public opinion. I feel this led to my appointment to the position.

[Song] What is your outlook on North Korea in ordinary times?

[Kwon] The unification issue is not be discussed merely between the North and South on a national level. Unification should be pushed ahead by complying with universal world values. In other words, unification following the logic of only the North or the South—which goes against the universal values cherished by the people of the world, including pro-democracy, market economics, human rights, and environmental issues—is of no significance at all.

[Song] At present, North-South relations have been strained to their greatest extent. Do you have any plans to rectify this?

[Kwon] I have not yet studied it concretely.

[CHOSON ILBO note] The newly-appointed Kwon worked for TONG-A ILBO for 36 years and four months. During that period, he was a senior political reporter, editorial writer, chief editor, editor-in-chief, executive board member, managing director, and president. He also worked as a Japan-based and U.S.-based correspondent. Thus, he is known to have a considerably high knowledge of international affairs.

Kwon held the position of president of the Korea Newspaper Editors Association and is presently chairman of the Korean Committee of the Press Foundation of Asia as well as chairman of the So Chae-pil Memorial So-

ciety. Kwon is thought to be reasonable and to have a clean disposition and strong faith.

He was a classmate of former President No Tae-u and New Korea Party Chairman Kim Yun-hwan at Kyongbuk High School. He has a wide range of human relations with people from all walks of life. His wife is Choe Yong-chu (60); he is the father of one son and two daughters.

Discusses Contacts, Aid Policy

*SK2112110195 Seoul YONHAP in English
1041 GMT 21 Dec 95*

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP) — New Deputy Prime Minister for National Unification Kwon O-ki on Thursday [21 December] said there should be a change in the attitude that there should first be dialogue between government authorities of the two Koreas.

"We should pursue a multi-eyed unification policy which can bring into mind not only the North Korean Government authorities but also the people there," Kwon said.

While meeting with reporters, the journalist turned deputy premier readily agreed to a reporter's idea that "inter-Korean relations have strained because (the South) insisted only on dialogue between government authorities."

He said "multi-pronged debate on unification is a way leading to a healthy unification."

Kwon said it is not proper for the South to decline even those aids helpful to the North Korean people simply because of its abhorrence of the regime there.

On the possibility of providing additional rice assistance to North Korea, Kwon said, "I will discuss the matter with relevant offices."

He said the government may decide on the matter depending on the North's food situation next spring when a poor harvest year's crops are usually used up.

Computer Network To Provide DPRK Materials

*SK2112035795 Seoul CHOSON ILBO in Korean
20 Dec 95 p 15*

[Report by Song Ui-tal]

[FBIS Translated Text] Primary materials on North Korea, including NODONG SINMUN articles, will be lined up by subject and provided to the public through the computer communication network.

An information analyst of the National Unification Ministry said on 19 December: "We have recently completed the project of computerizing North Korean materials, which began in 1987, with a total of about a 200 million won budget." He continued: "We are now able to search and input some 49,000 books and over 27,000 articles of North Korean papers and periodicals in the computer."

In particular, the National Unification Ministry has lined up by subject a huge number of articles carried by 57 papers and periodicals, including NODONG SINMUN and MINJU CHOSON, that it has accumulated for the past 26 years since it was inaugurated in 1969. At the same time, abstracts of some 30,000 Eastern books and 14,300 Western books — as well as some 3,200 ministry-published books regarding South-North relations, North Korea's politics, economy, society, culture, and socialism — will be introduced.

The National Unification Ministry also said: "For the time being, ordinary people must visit the ministry, the North Korea Data Room in Kwanghwamun, the Ministry Training Center, or the Secretariat for South-North Talks to see these materials." The ministry then added: "We are planning to start full-fledged service through the Chollian database sometime in the first half of 1996."

PRC Vows To Actively Pursue Peace on Peninsula

SK2212065395 Seoul YONHAP in English
0639 GMT 22 Dec 95

[FBIS Transcribed Text] Beijing, Dec. 22 (YONHAP) — China has pledged that it will make active and positive contributions to peace and stability on the Korean peninsula, Rep. Hwang Nak-chu, visiting speaker of the South Korean National Assembly said Friday.

Meeting with Korean correspondents here at Diaoyutai, state guest house in the Chinese capital, Rep. Hwang quoted Chinese leaders he met with as promising that China will never play a negative role in policy decisions affecting the Korean peninsula.

After arriving here Wednesday, Hwang met with Chinese President Jiang Zemin, Standing Committee Chairman of the Chinese National People's Congress Qiao Shi, Premier Yi Peng, and other senior officials.

Hwang also quoted them as saying, "It will take more than 20 years for China to develop its economy and become a semi-developed nation. With this goal in mind, it is desirable that China and neighboring countries, including those on the Korean peninsula maintain peace and stability."

They clarified their position, however, by indicating that isolating North Korea is in their opinion not a very good policy.

Hwang said he produced "an important proposal" while calling for across-the-board substantive exchanges between the two countries in talks with the Chinese leaders. He, however, refused to reveal its contents.

Seoul Discusses Ways To Recruit Foreign Workers

SK2112031795 Seoul YONHAP in English
0152 GMT 21 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP) — The government is discussing ways to recruit approximately 7,000 foreign workers next year, to help alleviate a severe manpower shortage in agriculture, livestock and fisheries, the Agriculture, Forestry and Fisheries Ministry said Thursday.

Labor, justice, and finance-economy ministers have been discussing various ways to recruit foreign workers to fill these positions, an official said.

He said that a manpower demand survey indicated that a total of 4,353 foreign laborers are needed next year in fishing industry, 1,950 in animal husbandry, and 793 in farming.

Another official said, however, that the Justice Ministry has responded negatively to such program proposals, citing the legal difficulties associated with the alien status of foreign workers, in spite of demands by the Agriculture, Forestry and Fisheries Ministry.

Agriculture Ministry officials emphasized, however, that foreign worker recruitment is inevitable if they are to resolve the severe manpower shortages in agriculture, fishing and livestock farming.

Finance Deputy Prime Minister News Conference

SK2112133295 Seoul CHOSON ILBO in Korean
21 Dec 95 p 4

[News conference by Na Ung-pae, newly-appointed deputy prime minister and minister of finance and the economy, with unidentified correspondents at the press room of the National Unification Ministry on the afternoon of 20 December; by Ku Song-chae — first paragraph is CHOSON ILBO introduction; last two paragraphs are a CHOSON ILBO profile of Na Ung-pae]

[FBIS Translated Text] [CHOSON ILBO note] Na Ung-pae, newly-appointed deputy prime minister and minister of finance and the economy, who was once national unification minister, held a news conference on the afternoon of 20 December at the press room of the

National Unification Ministry before leaving his office. During the news conference, Na said he "will adopt consistent economic policies."

[Correspondent] What are your impressions of having been appointed as deputy prime minister and minister of finance and the economy?

[Na Ung-pae] I will make every effort to ensure the people's safe, routine economic life.

[Correspondent] What is your capital plan to achieve the two goals of growth and stability?

[Na] Let us talk about economic policies after my inauguration. (Na no longer mentioned economic affairs and postponed it until next time.)

[Correspondent] What is your appraisal of your own term as national unification minister?

[Na] I tried to seek exchange and cooperation between South and North Korea instead of confrontation. I believe I patiently sought this direction by approving visits by businessmen to North Korea and through South-North joint economic projects.

[Correspondent] Is there anything you regret?

[Na] That it was impossible to achieve productive results because of North Korea's generally negative attitude toward South-North dialogue. I also feel sorry for causing the people to become uneasy about supplying rice aid to North Korea.

[Correspondent] What is your view on the future situation surrounding North Korean issues?

[Na] With regard to the North Korean nuclear issue, North Korea's nuclear weapons development is being deterred by the cooperation of the international community. This appeared in the conclusion of the negotiations to supply light-water reactors to North Korea. The road to full-fledged exchange and cooperation between South and North Korea has already been paved.

[CHOSON ILBO note] Deputy Prime Minister Na has established a record of being appointed deputy prime minister for the third time. He was a professor at Seoul National University and president of Haitai Confectionery Company. After becoming a lawmaker, Na was appointed finance minister and trade and industry minister during the Fifth Republic. He was the first deputy prime minister who was also minister of the Economic Planning Board during the Sixth Republic, and was appointed as national unification minister last February.

Na has mild and reasonable characteristics and is evaluated as a "genius" who has great ability to grasp business. Na once said he would not run for the 14th

or 15th general elections. He lives with his wife Pak Hyo-kyun, 60, and their two sons.

Business Community Welcomes Na Ung-pae
SK2112063895 Seoul THE KOREA HERALD
in English 21 Dec 95 p 8

["News Analysis" by Choe Song-chin: "Pres. Kim Moves Focus From 'Reform to Reality' — New DPM Na Known as Outstanding Corporate Leader and Top Administrator"]

[FBIS Transcribed Text] President Kim Yong-sam is a rare Korean head of state who has had the luck of catching "two economic rabbits."

Kim, the first civilian president in the nation's modern history, has brought about bold economic reforms toward greater economic transparency and deregulation. The shocking reform notwithstanding, the economy registered the most vigorous growth in years during his tenure.

That is, however, until the latest social and political turmoil involving two former general-turned-presidents' illicit fortune making and coup d'etat started to rock the economy from its very roots two months ago.

Even without these non-economic elements, the growth cycle has already peaked over to a downturn. Most government economists are saying that the nation's economic growth rate will slow from an estimated 9.3 percent this year to 7 percent in 1996.

They call this a "soft landing" — a slower but more manageable growth without plunging into a recession. Not a few private economists, however, are worried that even the 7-percent growth immediately after a 9-plus expansion will come as a steep downfall for most; domestic economic players, namely business corporations and households.

Major conglomerates (chaebol), now keeping a low profile amid the slush fund scandal of former President No Tae-u, have sharply curtailed their investment plan for 1996 or are threatening to do so, further darkening the already grim economic prospects for the coming year.

Because Korea's 30 leading chaebol account for almost one third of the nation's gross domestic products, their negative business mindsets will augur ill for the nation's economy as a whole.

The consequent slump of the economy, as a matter of fact, will be a big minus factor for President Kim now entering the latter part of his presidency with general elections coming soon.

Kim's pick-up of Unification Minister Na Ung-pae as his economic deputy prime minister and minister of finance and economy comes as no surprise considering the situations facing the president, local analysts say.

As far as the economy is concerned, it is time for President Kim to shift emphasis "from reform to reality," said a local analyst.

Na, one of the most pro-business politicians in Kim's ruling circle, is better known for outstanding records as a corporate leader and top economic administrator than as a reformer. He served as a finance minister and trade minister under former President Chon Tu-hwan as well as the deputy premier and economic planning minister under No's administration. In between, he also worked as a chief executive at large corporations.

As a unification minister, he sought brisk economic exchanges between businesses of South and North Korea, a strategy which placed him often at odds with security-minded hardliners and almost cost him his post once.

President Kim's intention to encourage the dispirited chaebol is also seen in his selection of Ku Pon-yong as his chief economic secretary, while reducing the power of the Economic Secretariat.

While his predecessor Han I-hon wielded considerable influence in direct competition with former economic deputy premier Hong Chae-hyong, Ku's domain has become relatively narrowed, a move aimed to place more administrative weight on Na, government sources said.

Not surprisingly, major business associations warmly welcomed Na's appointment to the top economic administrative post.

The Federation of Korean Industries and the Korea Chamber of Commerce and Industry issued announcements saying that the President's decision is right and timely to bolster the morale of businesses and boost the economy from a possible slump.

There are daunting tasks facing Na in managing the national economy next year, the analysts noted.

Among major challenges are preventing the economy from a crash as feared by some sectors of economy, and rectifying the widening imbalance between booming heavy and chemical sectors and light industries as well as between large enterprises and small- and medium-sized corporations.

Most of all, they should continue to reform and liberalize the economy so that all the major participants of the economy can enjoy just rewards for their efforts, while making them better prepare for greater market

liberalization as the nation will join the Organization for Economic Cooperation and Development next year, they said.

Presidential Secretary for Economics Interviewed

*SK2112125095 Seoul CHOSON ILBO in Korean
21 Dec 95 p 13*

[Interview with Ku Pon-yong, newly-appointed senior presidential secretary for economic affairs, by reporter Pak Chong-hun; date and place not given; final paragraph is CHOSON ILBO profile of Ku Pon-yong]

[FBIS Translated Text] [Pak] How do you think the new economic team will work?

[Ku] There will be no problems. I gained experience working with Na Ung-pae, former minister of the Economic Planning Board, while working as a secretary for economic affairs in Chongwadae [presidential offices] during the early stage of the Sixth Republic. I would like to clearly state that all future economic policies will be implemented with Deputy Prime Minister Na Ung-pae at the center.

[Pak] What is your assessment of Deputy Prime Minister Na Ung-pae?

[Ku] When I worked as secretary in Chongwadae during the early stage of the Sixth Republic, then-Deputy Prime Minister Na reported to the President that he would keep the rate of salary increases for government employees to one digit. Sitting with him, I insisted the increase should be two digits. My insistence could be viewed as a direct refutation of my superior's opinion. Thus, I was ready to be scolded. On the contrary, as we came out of the office following the report, Deputy Prime Minister Na patted my shoulder and encouraged me. I thought he was indeed a broad-minded person, and have respected him ever since.

[Pak] How do you view your role as senior presidential secretary for economic affairs?

[Ku] The President supervises the cabinet. Thus, the main stream and direction of economic policy should ultimately be judged and decided by the President. The role of senior secretary for economic affairs should be limited to assisting the President and helping him make judgments. My own philosophy and character should be minimized, expressed only indirectly through the President.

[Pak] Many people are concerned about the possibility of a "soft-landing" by our economy. What is your opinion on future economic policy?

[Ku] All policy should be formulated on the basis of reason and rational principle. Shock therapy and a

lack of pre-estimate feasibility are not desirable. The economic slogan "autonomy and competition," which was put forward when the new government came to office, will be pushed ahead in the future. I intend to discuss everything with Deputy Prime Minister Na Ung-pae before implementation.

[Pak] You are known as a liberal and advocator of openness. Is this true?

[Ku] I hope to have another chance to explain my economic philosophy.

[Pak] How do you plan to implement the policy for opening up?

[Ku] I have many ideas, but let me talk about them at some other time.

[CHOSON ILBO note] Senior Secretary Ku was greatly influenced by the renowned lecturer Cho Sun, the incumbent mayor of Seoul, when Cho Sun was professor at the Economic Department of Seoul National University. Among his classmates at the Commercial and Economy College of Seoul National University were Chang Sung-u, first assistant minister of finance and economy; Kim Yong-sop, chief of the Office of Policy Planning in the ministry; and Chong Un-chan, a professor at Seoul National University. All his classmates were influenced by then-professor Cho Sun, and thus majored in economics. Some are working as renowned columnists in the press. Ku began his career as a government official at the inducement of Kim Man-che, then-deputy prime minister and now chairman of the Pohang Steel Corporation.

Minister Kwon on New Approach Toward Unification

SK2212041695 Seoul THE KOREA TIMES in English
22 Dec 95 p 2

[FBIS Transcribed Text] Seoul will have to divert the focal point of its unification policy from dialogue with North Korean authorities to assisting ordinary North Koreans who are the "greatest victims of national division," new Deputy Premier-National Unification Minister Kwon O-ki said yesterday.

In an inauguration ceremony, the journalist-turned chief unification policymaker stressed the "globalization" of unification-related negotiations, the necessity of more attention to ordinary North Koreans and multilateral approaches to unification.

"We shouldn't limit our attention only to the North Korean authorities. We should look at the other side of North Korea which is North Korean citizens," he said.

Although the whole Korean people are victims of national division, North Korean residents are the greatest sufferers, he said.

So far, Seoul's North Korea policymakers have put the priority on the resumption of government-level dialogue while neglecting ordinary North Koreans who have suffered from food and energy shortages in a country regarded as the most isolated in the world. Some humanitarian initiatives by South Korean officials have frequently been manipulated by North Korean authorities or were faced with internal objections from conservatives in Seoul.

Kwon pointed out that Seoul has so far placed too much emphasis on a "comprehensive approach" toward unification.

He said that it is time for South Korean authorities to take into consideration various problems facing North Korea in their policy-setting process.

"Our food authorities should deal with North Korean food problems. Our energy authorities should also take into consideration North Korea's energy shortages," he said.

Kwon said that it is undesirable for Seoul to force Pyongyang to introduce reforms. "Instead, we should encourage them to voluntarily take steps toward reform," he said.

The new minister noted that many Koreans have misinterpreted "self-determination" in the unification process.

"When we talk about the real sense of self-determination, it should be open to our neighbors. A closed self-determination doesn't help realize reunification," he said.

Saying that the Cold War has not yet ended on the Korean peninsula, Kwon stressed the necessity of opening the way for the post-Cold War international order to flow through Korea.

"In short, it means the globalization of unification-related negotiations. Although unification is realized between South and North Korea, we should accomplish a unification which contributes to the international community," he said.

Inter-Korean unification should be realized by meeting universal values such as "democracy, market economy, human rights, and environment protection," he said.

Opposition Parties React to Cabinet Reshuffle

SK2112061495 Seoul THE KOREA TIMES in English
21 Dec 95 p 2

[FBIS Transcribed Text] The nation's ruling and opposition parties yesterday exhibited different reactions to President Kim Yong-sam's sweeping Cabinet reshuffle that involved 11 ministerial posts and seven presidential secretaries.

The three opposition parties said the revamping was aimed at strengthening Kim's control over the Cabinet.

The main opposition National Conference for New Politics [NCNP], which had no problems with President Kim's appointment of Yi Su-song as Prime Minister, said the shakeup was very disappointing.

NCNP spokesman Pak Chi-won said in a statement, "We expected much in the reorganization but it did not meet our expectations. We are very, very disappointed."

Pak accused the President of tapping a number of his loyalists to major posts including chief presidential aide and home minister. "We are afraid the shuffle is aimed only at the Assembly polls slated for next April," he said.

Pak added he hope the new Cabinet and presidential secretariat will regard the opposition as a partner in managing state affairs.

The minor opposition Democratic Party played down the Cabinet reshuffle, saying it had expected more reform-minded and morally integral figures to be tapped but it has found few who fit the bill.

Economic Groups, Businesses Welcome Cabinet

SK2112061095 Seoul THE KOREA TIMES in English
21 Dec 95 p 8

[FBIS Transcribed Text] Economic organizations and businesses joined hands in welcoming the new Cabinet line-up, especially in view of the fact that it appears to be designed to support their causes at a time of social instability.

The general consensus is that the team of Finance and Economy Minister Na Ung-pae, Trade Industry and Energy Minister Pak Chae-yun and Ku Pon-yong, senior presidential secretary for economics, is certain to boost business.

One group official said the background of the three top government officials is one oriented toward vitalizing the economy through the provision of effective support for business activities.

Pak, for instance, has been a strong advocate of freer business engagements, something that had been hin-

dered by the policies of MOFE [Ministry of Finance and Economy], which had been led by Hong Chae-hyong, who will be running in next year's general elections.

Ku, on the other hand, has a doctorate in economics from George Washington University and is believed to have abundant knowledge of the workings of the government as well as business, having served as vice minister twice, once in transportation and until yesterday in science and technology.

"One change in the post of senior presidential secretary for economics will be that his responsibility will be confined to economic-related areas and not all-around," one senior government official said.

The stability that is hoped to be realized through the reshuffle is especially needed at a time when the atmosphere in business is chilled by the recent revelations of widespread collusion between business and politics.

Such corruption has already landed former president No Tae-u in jail and another ex-head of state, Chon Tu-hwan, is facing a similar predicament. Several top business leaders are also facing criminal charges.

Meanwhile, the Federation of Korean Industries [FKI] said in a statement yesterday that it believes the reshuffle will go a long way in helping businesses secure the competitiveness necessary to survive in the international market.

"There is great anticipation for the possible injection of new vitality in the economy as the nation strives to become one of the leading economies in the world," the FKI statement said.

The Korea Chamber of Commerce and Industry [KCCI] said the Cabinet reshuffle has placed in office new bureaucrats who are more sensitive to the changes in the environment and could invariably bring about economic and social stability.

The KCCI warned, however, that Korea now stands at a crossroads of an economic takeoff or shakedown, and that the government will have to introduce policies that embrace rather than hamper business activities.

Article Supports Prime Minister Yi

SK2212045495 Seoul THE KOREA TIMES in English
22 Dec 95 p 2

[Article by political editor Chong Un-pong]

[FBIS Transcribed Text] The 100-day long boisterous regular National Assembly sitting has just ended.

The much touted reshuffle of the Cabinet was carried out at last.

As the dust surrounding these two events begin to settle, the people return home with heavy hearts having had a glimpse into the dark side of their leaders. They would rather have not seen it at all.

Their former leaders, Chon Tu-hwan and No Tae-u, are no longer presidential. Their greed for money has astounded the nation not to mention their grabbing of power by force. The people hold visions of the two gobbling up vast sums of money while in office.

The public is simply fed up with reading or watching news reports on their erstwhile leaders now languishing behind bars.

Their crimes committed against the nation are so enormous that no mercy can be shown to them. But there is no need for the nation to be mired in the past.

One notable thing that should pick up their spirits is no doubt the new Prime Minister Yi Su-song, 58. He has spent all his public life as a professor at his alma mater, Seoul National University. He did not leave the school even for one brief moment unlike others who keep their eyes pointed toward the presidential office.

His slate is clean as a criminal law scholar. More respectful is his father's moral integrity. His father was a judge during the Japanese colonial rule. After liberation in 1945, he resigned and lived a plain life, refusing to work for the new Republic. His reasoning was simple but very instructive. He said he could not because of his work for Japanese colonial authorities. His stand runs counter to the herd of brazen-faced officials who swaggered about despite their ignominious past.

Upon being appointed prime minister, Yi said he intends to do his best in an earnest manner. He said he wouldn't mince words when talking to President Kim Yong-sam. He would be straight even if his words weren't what the President wants to hear, which Yi said is an important duty of the prime minister.

This is sufficient to give the benefit of the doubt to the new prime minister although his abilities have yet to be tested.

He has no particular regional bondship, much less political affiliation. Although his late father was from Chilgok, Kyongsangbuk-to, power base of the past military governments, he was born in Hamhung, North Korea. He was brought up in Seoul and therefore he is more of a Seoulite than a part of the so-called TK (Taegu-Kyongbuk) clique, who are said to be no less clannish than those from its rival Cholla province.

Meantime, Stephen Cardinal Kim Su-hwan spoke Wednesday evening as if rallying support behind President Kim's hyperbolic crusade of "correcting

the wrongs of history" by indicting the two former presidents.

The undisputed supreme leader of the nation's Catholics, who is becoming increasingly political, said President Kim's campaign should succeed, otherwise the nation will lose the golden opportunity of setting history straight and building a new Korea.

At a forum on current issues organized by the Kwanhun Club, a fraternity of senior journalists, he went on to say that the current reformist policy line should not be abandoned even by the succeeding administration for sure elimination of the time-honored corrupt ties between business and politics to say nothing of setting the national spirit upright.

Now the nation is gripped with frustration over the fact that their leaders, who acquired power through force, turned out to be money guzzlers into the bargain.

At the same time, they are angered with themselves for not showing the courage of calling a spade a spade in the past.

Of course, there have been many achievements during their rule that ran a combined total of 12 years. But the achievements are not a thing to brag about because that is exactly what they should do as presidents.

There are many who sympathize with the two former presidents. At the same time, there are many who disagree with the way President Kim is forcing his so-called history-cleansing work through. With arms folded, they are watching him with derision that he will fall into the group of ex-presidents in two years.

The nation is now festering beneath the veneer of seeming stability, which is likely to break open occasioned by the general elections of lawmakers in April.

But there is no need to panic. It may be in the interest of the nation to try to find the good that remains behind as there are still lots of miles to travel.

No's Daughter Questioned on Swiss Bank Accounts
SK2112080795 Seoul YONHAP in English
0549 GMT 21 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP) — Prosecutors questioned incarcerated former president No Tae-u's daughter So-yong, and her husband Choe Tae-won, eldest son of Sunkyong Group Chairman Choe Chong-hyon Thursday, about the Swiss bank accounts that No allegedly opened.

The couple arrived at the Prosecutor-general's Office in southern Seoul at 10:03 AM Thursday.

Prosecutors are interrogating the couple to discover the source of the 192,500 U.S. dollars they deposited in 11 American banks in January 1991. They have already been questioned by U.S. authorities about how the money was brought into America and why they deposited it at a number of financial institutions.

No made a five-country European trip from late November to early December in 1989. During this excursion he made a four-day unofficial visit to Switzerland which lasted until Nov. 24. No then met his daughter and son-in-law in Seattle on Dec. 4.

Investigators are therefore curious to discover whether or not the money later confiscated by American authorities, was withdrawn from No's alleged Swiss bank accounts.

The couple were convicted in a U.S. federal court in 1993 for violating currency laws, and were sentenced to one-year probation.

The Seoul District Prosecutor's Office questioned the couple last September, but discontinued the investigation after they were told the money had come from wedding gifts received while in the U.S. and savings from Choe's earnings.

In a related move, prosecutors have obtained search warrants from the court, to track down the bank accounts of Kim Chong-hwi, to investigate charges that he received large kickbacks during the Yulgok arms modernization projects, which he tried to hide in bank accounts located in ten different cities. No's foreign affairs and national security aide is now being held in a prison near Seoul.

The prosecution intends to ask the ministries of justice and foreign affairs to forward their findings and copies of the documents received from the U.S. to the Swiss Embassy in Seoul, possibly as soon as this weekend.

This information is expected to expedite the investigation into the Swiss bank accounts allegedly held by No.

Denies Existence of Accounts

*SK2212040295 Seoul THE KOREA TIMES in English
22 Dec 95 p 3*

[FBIS Transcribed Text] State prosecutors yesterday called in ex-President No Tae-u's only daughter So-yong for questioning to determine whether or not the 200,000 dollars in cash she smuggled into the United States in 1990 came from her father's slush fund.

Choe Tae-won, So-yong's husband and son of Sunkyong Group Chairman Choe Chong-hyon, was also questioned. The two arrived separately at the Supreme Public Prosecutor's Office (SPPO) just past 10 AM.

She denied there exist Swiss bank accounts under her or other names, according to sources.

So-yong refused to answer the barrage of questions fielded by journalists. She looked confident but flinched as photographers took pictures of her.

A SPPO spokesman said that questioning was focused on where she got the money and why she took it to the United States in violation of related laws. The money deposited in 11 U.S. banks was confiscated by U.S. authorities.

The prosecution possesses a strong body of circumstantial evidence that the money was withdrawn from her father's Swiss bank account. It said that No visited Switzerland unofficially during his official European swing from late November to early December 1989 and, immediately after it, No met his daughter in Seattle, in Dec. 4 the same year. A month later in January 1990, So-yong was caught trying to smuggle the money into the U.S.

So-yong was found not culpable last year in an investigation by the Korean prosecution that accepted her testimony that the money was wedding gifts from her family members. At that time critics said that the investigation was prematurely wound up possibly due to political considerations.

The prosecution, however, said that this time it will get to the bottom of the case once and for all. A source said that a review on U.S. court and investigation documents on the So-yong case has revealed an ample body of evidence meriting a reinvestigation.

He said that strips of paper that strung bundles of So-yong's cash were confirmed to come from two or three Swiss banks.

The prosecution said that those documents will be sent to Swiss law authorities with a request to help ferret out bank accounts belonging to No this weekend through the Swiss Embassy here.

Allegations are that No's Swiss bank accounts, if they exist, hold huge amounts of illicit rebates the former president received in return for steering government deals to certain foreign companies including the switch from F/A-18s to F-16s as the ROK Air Force main fighter in the multi-billion-dollar Korea Fighter Program.

Prosecution Seeks To Ban Chon, No From Leaving
*SK2112080995 Seoul THE KOREA TIMES in English
21 Dec 95 p 3*

[FBIS Transcribed Text] Prosecutors have decided to seek bans on 77 persons accused of connections with

the 1979 military mutiny and 1980 sedition from leaving the country, launching a full scale probe yesterday into the two cases under the "May 18 Special Law" passed at the National Assembly Tuesday.

The 77 include former presidents Chon Tu-hwan and No Tae-u, both now imprisoned, and 58 others accused of leading or having accessorial roles in the May 17 sedition.

Prosecutors are set to bring in about 30 of the 77 who have yet to be investigated, after formally indicting Chon today on the charges of masterminding the military mutiny, sources at the Seoul District Prosecutor's Office said yesterday.

As the special legislation extends the statute of limitations for the sedition charges, all of the 77 are subject to punishment, but prosecutors are likely to indict only those who played leading roles in the coup and led military troops in the brutal crackdown on the civil uprising in Kwangju in 1980, the sources said.

Those facing legal action are expected to number about 30, including the 12 who participated in the "Kyongbok Palace meeting" in which the scheme to arrest martial law commander Chong Sung-hwa was drawn up, they said.

They are also likely to include the four Defense Security Command officers, viewed as the authors of the coup d'etat plan, and Choe Se-chang and Chong Ho-yong, who are suspected of sending their troops to Kwangju in May in 1980.

The prosecutors' probe is focused on how the military power group imposed martial law across the nation on May 17, 1980, cracked down on the democratic movement in Kwangju in May, established the military junta and forced president Choe Kyu-ha to step down in August, 1980, the sources said.

They are also set to identify the persons who issued the orders to mobilize Army troops and open fire on protesting Kwangju citizens.

For consistent legal action in the two cases, the prosecutors are also reinterpreting the series of actions by the rebel officers, starting from the December mutiny, as the coup was carried out in a number of stages, rather than as separate incidents.

With the new definition, the prosecutors regard the cope as having been completed on Jan. 24, 1981, when martial law was lifted.

Meanwhile, the district prosecutor's office decided to additionally bring bribery charges against Chon, after his indictment today, for his alleged collection of a slush fund while in office.

Chon Tu-hwan's 'Illicit' Fund Larger Than No's

SK2212010295 Seoul YONHAP in English
0052 GMT 22 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 22 (YONHAP) — Jailed former President Chon Tu-hwan seems to have accumulated more illicit funds than his successor during his 1980-1988 tenure, prosecution sources said Friday.

Although the actual amount Chon allegedly stashed away is smaller than the 460 billion won (597 million U.S. dollars) No admitted to accumulating, the value is much greater when inflation is taken into account, the sources said.

This was reportedly confirmed Thursday afternoon when three prosecutors from the Dec. 12-May 18 incident special investigation team interrogated Chon for more than four hours at the National Police Hospital in southern Seoul, according to prosecution officials.

Chon was transported from Anyang Prison South of Seoul Wednesday due to hunger-strike related health concerns.

Chon thus appears to have collected at least 300 billion won in illegal funds while in office.

Prosecutors have questioned more than 20 business leaders during their investigation, and have also traced Chon's bank account activity. They have reportedly confirmed that, since his retirement in February 1988, Chon has invested and hid billions of won in real estate and certificates of deposit by using the names of relatives.

Commenting on Chon's health, Senior Prosecutor Kim Song-ho who headed the prosecution team said, "Although he looked weak, Chon was able to speak just fine."

Chon Tu-hwan Indicted; No Tae-u Charged

SK2112235995 Seoul THE KOREA TIMES in English
22 Dec 95 p 1

[Report by staff reporter Kim Yong-pom]

[FBIS Transcribed Text] Former president Chon Tu-hwan was indicted on six counts of charges, including military mutiny, yesterday, 19 days after being placed in custody at Anyang Prison, by the Seoul District Prosecutor's Office (SDPO). Chon was termed as leader of the insurrection on Dec. 12, 1979.

Prosecutors also brought conspiracy and five other counts of charges in connection with the mutiny against former president No Tae-u, who is already in prison being tried for corruption.

In addition, prosecutors are set to bring sedition charges against the two former presidents and others who led the May 17 military takeover in 1980 by the end of next week, winding up the probe into the two incidents, the SDPO said yesterday.

In a meeting with the press, Yi Chong-chan, senior prosecutor at SDPO directing the probe, made it clear that the SDPO has determined that the coup d'etat by then military power group was accomplished with the removal of the martial law order on Jan. 24 1981 and that the 15-year statute of limitations for the coup has yet to expire.

The sedition in May, 1980 is being viewed as one in a series of coup actions, starting from the 1979 mutiny, and not as a separate incident, Yi said.

The military power group led by Chon Tu-hwan started the process of taking over power by banning political activities with the expansion of the state of martial law proclaimed in Seoul to the whole nation on May 17.

With the new interpretation of the incidents in 1979 and 1980, those facing prosecution are likely to number about 30, including the 12 attendants in the "Kyongbok Palace meeting," in which the plan to arrest martial law commander Chong Sung-hwa was allegedly worked out, and those responsible for the bloody crackdown on pro-democracy protesters in Kwangju in May, 1980.

The probe is now focused on how Chon took over the post of chief of the then Korean Central Intelligence Agency, the predecessor of the Agency for National Security Planning, and who ordered armed troops to crack down on the civic uprising in Kwangju and open fire on the protesters.

At the same time, the district prosecutor's office plans to announce soon the result of its investigation into the slush fund Chon allegedly stashed away when he was president from 1980 to 1988.

According to prosecution sources, prosecutors suspect that Chon collected some 300 billion won while in office in the 1981-1988 period and that he still has 20 billion won left over.

Prosecutors are tracking down on the sources of the money in 181 bank accounts under assumed names that are believed to be Chon's.

Chon, who has been fasting for 19 days since being imprisoned early this month, was sent to the National Police Agency Hospital in Karak-tong, southern Seoul, Wednesday night because of malnutrition and exhaustion.

Meanwhile, Chon's aides yesterday declared that they will file a constitutional appeal against the "May 18

Special Law" enacted this week on the ground that the new legislation runs counter to the Constitution with its retroactive targeting of events that had already taken place.

Yi Yang-u, lawyer for Chon, said that the new law infringes upon the Constitutional principle that double jeopardy is illegal.

Prosecutors earlier in July decided not to indict the coup masterminds, even though they had concluded the Dec. 12 incident was a violation of the law.

Papers React to Indictment

SK2212111095

[FBIS Editorial Report] The following is a compilation of editorials and a commentary published in ROK vernacular dailies on 22 December on the indictment of former President Chon Tu-hwan.

The moderate HANGUK ILBO carries on page 3 a 900-word editorial entitled "The Indictment of Chon Tu-hwan." The editorial points to the possibility that "making a decision on punishing the former president may be influenced by a political judgment aimed at revenge or by angry public opinion," and stresses the need to exercise "a prudent judicial judgment."

The moderate TONG-A ILBO carries on page 3 an 800-word editorial entitled "The Indictment of the Culprits of the Coup d'Etat." The editorial notes that Chon's indictment shows "the prosecution's strict will to permanently extradite from this land the crime of disrupting the order of the constitutional government." The editorial urges Chon to "reveal the truth in court instead of offering resistance by observing a fast," and denounces him for "planning to file a lawsuit against the alleged violation of the constitution," saying this shows "he does not listen to the people's voice calling for the correct establishment of law and justice."

TONG-A ILBO also carries on page 5 a 1,400-word commentary by senior commentator Nam Chung-ku entitled "Liquidation and Stability." The commentary notes: "Taking care of routine state affairs is as important as liquidating the past, and both are geared toward the same goal, the stability of the country and the improvement of the quality of live." The commentary stresses: "People, enterprises, the government, and the ruling and opposition parties should concentrate their wisdom and share the sufferings of our shameful past." It adds: "They should sincerely think of what to do and what to avoid while speculating how today will be recorded in 50 years or 100 years." The commentary concludes by emphasizing that we "should not be influ-

enced by insidious political strategies or group-oriented egoism, and should not become onlookers."

The moderate CHUNGANG ILBO carries on page 4 a 700-word editorial entitled "A Lesson From the Arrest and Indictment of Chon Tu-hwan." The editorial stresses that Chon's arrest and indictment offered "the lesson that pressure or illegal acts based on force may temporarily be disguised as legal and punishment may be avoided, but history will not tolerate them." Pointing to the prosecution's failure to simultaneously indict those involved in the coup d'etat, the editorial describes this as "poor treatment" of the case, which "results from the prosecution's lack of timely and proper treatment of the case." The editorial also urges Chon to stop fasting and "bravely express his conviction in court."

The moderate KYONGHYANG SINMUN carries on page 3 an 800-word editorial entitled "Chon Tu-hwan's Fast and Indictment." The editorial asks the prosecution "not to be influenced by political interests or to lose caveat in handling the political case." As regards Chon's fast, the editorial stresses he "cannot avoid the judgment of history by observing a fast or in any other manner."

The pro-government SEOUL SINMUN carries on page 3 a 700-word editorial entitled "The Indictment of Those Involved in the Coup d'Etat." The editorial expects "a fair and strict judgment" on those involved in the military coup, saying their punishment will be "a symbolic warning against the repeat of such a tragedy." The editorial urges political circles "not to engage in acts that may influence the judgment, thus cooperating in exercising a fair and just judgment by law."

The moderate HANGYORE SINMUN carries on page 3 an 800-word editorial entitled "The Indictment of Chon Tu-hwan and No Tae-u." The editorial "warns Chon and No they can no longer cover the substantial truth of the events from the grasping of power in the 12 December incident to the 18 May incident," stressing that "correcting history is an irreversible trend of national history, regardless of the sophistry by those involved in the incidents." The editorial concludes by warning: "If the people suspect the prosecution's investigation into the 18 May incident is 'minimized' or suspect its investigation into the illegal property accumulation is 'an investigation that lacks a probe into key points,' then the task of correcting history may become nothing but empty talk."

Daily Interviews New Chief of Staff to President

SK2112100995 Seoul CHOSON ILBO in Korean
21 Dec 95 p 4

[Interview with Kim Kwang-il, newly appointed chief of staff to the ROK president, by reporter Hong Sok-chun:

"New Face in the 20 December Reshuffle of the Cabinet and the Presidential Secretariat" —first paragraph is CHOSON ILBO introduction]

[FBIS Translated Excerpt] Kim Kwang-il, newly appointed chief of staff to the president, spoke at a meeting of the New Korea Party [NKP] lawmakers and heads of the NKP local chapters following the announcement of the reshuffle on 20 December. He said, "Although President Kim Yong-sam made much efforts for democratization and reform, there have been some aspects where his efforts were not properly appraised," adding, "to receive the proper appraisal of the Kim Yong-sam reform is the way for the NKP to win." [passage omitted on Kim's profile covered by referent item]

[Hong] When were you informed of the appointment?

[Kim] When I was requested to work as chief of staff to the president a few days ago, I refused to accept the offer. The final decision for the appointment was conveyed to me in a car on the morning of 20 December.

[Hong] How did you come to know the president?

[Kim] My relationship with President Kim began when he officially recommended me as a Reunification Democratic Party candidate for the 13th general elections. Before that, I cooperated with him as a dissident lawyer in the opposition camp. Since then, I have made efforts to make a president from an opposition party.

[Hong] It seems that President Kim has a tendency to involve himself directly in all state affairs.

[Kim] There are times when the president must involve himself directly, but I think there are times when the party and the cabinet ought to involve themselves.

[Hong] Don't you have rather too strong a character as chief of staff to the president?

[Kim] When I was a dissident lawyer, I could strongly put forth my own assertions, but the position of the chief of staff to the president is a little different. Assisting the president is the main task.

[Hong] How would you convey the voice of the people to the president?

[Kim] I will convey people's criticism as well to the president. [passage omitted on Kim's profile covered by referent item]

Cabinet Approves 'Special Law' on 18 May Movement

SK2112101595 Seoul YONHAP in English
1010 GMT 21 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP) — A cabinet session held at Chongwadae [presidential

offices] Thursday approved the promulgation of the special law on the May 18 democratization movement.

The text of the special law was promptly carried on the government bulletin and was thus put into force as of the same date.

The cabinet meeting, presided over by President Kim Yong-sam, also endorsed the law designed to remove the statute of limitation for good against those who have committed anti-ethical crimes such as rebellion and mutiny.

Prosecution Grills Ex-Army Generals

SK2112103195 Seoul YONHAP in English
0716 GMT 21 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP) — The prosecution called in Thursday three former Army generals to question them on their roles in the 1979 military coup and the 1980 bloody suppression of pro-democracy protests in Kwangju.

Former Army Combat Training Commander Gen. So Chun-yol, ret., ex-Joint Chiefs of Staff Chairman Gen. Yu Pyong-hyon, ret., and former Secretary-General Chong Kwan-yong of the Special Committee for National Security Measures were the three summoned.

Having been assigned as Kwangju area martial law commander on May 21, 1980, Gen. So was grilled on how the Kwangju incident developed. He was also asked how and when the operational control of the airborne troops deployed in Kwangju to suppress the demonstrations transferred from the 31st Army Division to his Army Combat Training Command and who issued the firing order against the crowds and when.

He was further interrogated on how Army troops attacked the South Cholla Province government building occupied by protesters on the morning of May 27, 1980, and whether then Defense Security Commander Maj. Gen. Chon Tu-hwan was directly involved in that operation.

Gen. Yu was questioned on how the government decided to extend martial law, which had been limited to the Seoul area at the time, across the country on May 17 and on the activities of the junta known as the Special Committee for National Security Measures.

Chong was asked about how the junta was organized, run and what it did.

Prosecutors also summoned former Intelligence Officer Han Yong-won and former Army Logistics Commander An Chong-hun for questioning on their roles in the two incidents.

Meanwhile, former President Chon's one-time chief bodyguard An Hyon-tae, who was summoned Tuesday, returned home Thursday after having undergone interrogations about slush funds Chon allegedly raised while in office from 1980 to 1988.

Former Home Minister Summoned for Questioning

SK2212072795 Seoul YONHAP in English
0614 GMT 22 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 22 (YONHAP) — Prosecutors summoned former Home Minister Kim Chong-hwan and another former government official Friday morning for questioning in connection with their investigation into the Dec. 12 and May 18 incidents.

Kim Chong-hwan, former home minister and a participant of the special May 17, 1980, State Council session which approved the nationwide extension of martial law, and U Pyong-kyu, a judiciary committee member of the Special Committee for National Security Measures (SCNSM).

Prosecutors are expected to interrogate Kim about the public security circumstances, including the number of student demonstrators during that "May spring" in 1980, that led to the State Council approval to extend martial law nationwide.

U was expected to be questioned about the circumstances leading to the formation of the SCNSM as well as the committee's functions.

Prosecutors are set to summon for questioning three more people Friday afternoon, including Kil Ki-sang, then deputy secretary general of the National Assembly.

Prosecutors questioned five others implicated in the Kwangju incident until late Thursday night.

They included So Chun-yol, then commander of the Army combat training command, Chong Kwan-yong, then SCNSM secretary-general, and Yu Pyong-hyon, then chairman of the joint chiefs of Staff. The other were Han Yong-won, then first information division director of the Defense Security Command, and An Chong-hun, then commander of the military logistics command.

Ruling Party Officials Visit Kwangju's Cemetery

SK2212104395 Seoul YONHAP in English
0832 GMT 22 Dec 95

[FBIS Transcribed Text] Kwangju, Dec. 22 (YONHAP) — A group of New Korea Party (NKP) officials visited the Mangwoldong Cemetery in Kwangju Friday afternoon.

It has taken 15 years for a ruling party to pay its respects to those who died in the Kwangju democratization movement of 1980.

Since the National Assembly passed the May 18 special law Tuesday, the NKP has tried to memorialize this event, both to signify their resolve to assure its rightful place in history and to celebrate the law's ratification. The purpose of this legislation is to make it possible to punish those involved in the 1979 military coup and the bloody crackdown on the 1980 Kwangju uprising.

In his tribute, NKP Secretary-General Kang Sam-chaе said, "We've finally enacted a law that will allow us to uncover the facts about the senseless brutality that took place on May 18, 1980, and to mete out the appropriate punishment to those who are responsible for it."

The secretary-general praised the Kim Yong-sam administration which was partly made possible by the sacrifices of those who died in the pro-democracy movement.

"The spiritual struggles and sacred sacrifices of the departed have not been in vain and ultimately gave birth to a civilian government," Rep. Kang said.

"The nation is now in the throes of a bloodless and historic revolution that will set history straight by eliminating irregularities and corruption," the secretary-general stressed, adding that "although this is a very difficult and lonely task, it must be done."

He pledged that in spite of whatever resistance there might be, this nation will certainly nurture the democratic flowers of freedom and justice until they bloom in memory of those who died in their names.

Possible Election Law Violations Investigated

SK2012111195 Seoul YONHAP in English
1015 GMT 20 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP) — A total of 98 people planning to run in next April's general elections are being investigated, some of them clandestinely, on suspicion of making advance electioneering in violation of law, a prosecution source said Wednesday.

They include eight incumbent National Assembly members and 54 of the total have been formally booked, six of them under physical detention.

The lawmakers included are under the suspicion that they organized political gatherings or otherwise were involved in advance electioneering on the excuse of doing their parliamentary duties.

Some of the legislators under probe are suspected of having handed out money, said the source, adding the possibility of their arrest, therefore, cannot be ruled out.

"The prosecution's policy is to punish those who have expressly violated the election law, like the distribution of money, even before the elections slated for next April 11," the source said.

Opposition Considers Motion Against President

SK2112101795 Seoul YONHAP in English
0707 GMT 21 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP) — The major opposition National Congress for New Politics (NCNP) decided Thursday to consider submitting to the National Assembly a warning motion against President Kim Yong-sam and a no-confidence motion against Prime Minister Yi Su-song if the ruling camp enforces a political purge designed to oppress it.

The decision was reached at an Emergency Measures Committee meeting at the NCNP's Mapo Headquarters in western Seoul Thursday morning. Presided over by committee chairman Kim Sang-hyon, the meeting decided to push ahead with convening an extraordinary parliament session in January to carry out the decision.

The opposition party also decided to study ways to hold a concurrent party convention to proclaim its firm opposition against what it called "targeted purging of politicians," Deputy Party Spokesman Sol Hun said.

Also to be studied will be a 10-million signature-collection campaign calling for President Kim to disclose the details of his campaign funds for his successful 1992 presidential bid, and the introduction of a special prosecutor system for the probes into the 1979 military coup and the 1980 massacre in Kwangju.

"If and when the incumbent regime implements the purging of political circles designed to oppress the NCNP, as no cleansing on President Kim himself is being done and his past history remains unrectified, we'll launch an all-out struggle with the entire power of the party mobilized," said Party Spokesman Pak Chi-won.

A plan for holding NCNP district chapter rallies to denounce such political cleansing will also be studied, according to Sol.

President's Confidant Urges 'Two Kims' To Retire

SK2212095595 Seoul YONHAP in English
0702 GMT 22 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 22 (YONHAP) — Rep. Choe Hyong-u of the ruling New Korea Party

(NKP) reiterated the demand Friday that opposition leaders Kim Tae-chung and Kim Chong-pil should retire from politics to pave the way for what he called "advanced politics."

"So long as the two Kims remain on the political front, it is difficult (for the country) to overcome old-fashioned political perceptions and practices," Choe said, "Now, it is high time that they agonize seriously over what course of action on their part will benefit the nation and people."

The NKP member made his remarks at a debate meeting at the 63 Building in Yoido, western Seoul, under the sponsorship of the Korea Broadcast Journalists' Club.

A confidant of President Kim Yong-sam, Choe charged, "By resorting to regionalism and boss politics, the two Kims have been blocking advanced politics from being realized in the country."

With regard to the basic direction for political reforms, Choe advocated the elimination of the private party structure. Adding that that public parties practising democracy within themselves should lead party and parliamentary politics, he pressed for institutional reforms to improve people's lives.

Referring to generational change in political circles, he said, "It is a public demand arising from changes in the times, and not a political strategy...political reforms can be implemented when healthy conservative forces, rational and moderate reformist forces and future-oriented youths of the new generation equipped with vision work hand in hand."

Seoul Mayor Party Affiliation Not Clear

*SK2012103095 Seoul YONHAP in English
0805 GMT 20 Dec 95*

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP) — Seoul Mayor Cho Sun said Wednesday that he is not ready to talk about leaving the opposition Democratic Party [DP], since he is preoccupied with pressing administrative tasks.

Cho made these remarks while responding to the recent rumor that he will soon withdraw from the opposition party to be free from any political affiliation. He was elected mayor on June 27 on the DP ticket.

"It's not the time to discuss rumors because there are a lot of pending issues the Seoul administration must settle before the end of this year," Cho said.

The mayor also said that he has designated former Health and Social Affairs Vice Minister Choe Su-pyong to be Seoul's new vice mayor in charge of political affairs.

The new vice mayor, if formally appointed, will replace former opposition lawmaker Yi Hae-chan. Yi is to join the major opposition National Congress for New Politics, led by Kim Tae-chung, to run in the forthcoming general elections slated for next April.

Economic Developments in 1995 Reviewed

*SK2212072895 Seoul YONHAP in English
0609 GMT 22 Dec 95*

[By Kim Myong-chol]

[FBIS Transcribed Text] Seoul, Dec. 22 (YONHAP) — The South Korean economy reached the peak of a business cycle that began late in 1993, largely because of large and heavy industry exports.

In gross domestic product terms, the estimated economic growth rate for 1995 is 9.3 percent, compared with 8.4 percent the previous year. The nation's per capita income in terms of the gross national product, is expected to cross the 10,000-U.S.-dollar threshold, usually considered the threshold for advanced economies, by the end of the year.

Exports reached 100-billion-dollars in late November, and are expected to total 127.3 billion dollars by the end of year, according to the Bank of Korea. This means that the annual rate of export growth has averaged 25.1 percent since 1964.

The central bank predicts that next year exports will reach 147.6 billion dollars.

South Korea, today the world's 12th largest trader, currently exports more than 7,600 items to some 210 countries throughout the world, accounting for 2.24 percent of world trade.

Semiconductors, steel, automobiles, ships, machinery, petrochemicals and textiles are the driving force behind this export boom. Manufactured goods account for 95 percent of total exports, with the heavy and chemical industrial output accounting for 75 percent of the nation's exports. Such indicators suggest that the ROK economy is on the verge of becoming an advanced economy.

The bad news is that in 1995 was the gap between the growth rates of large heavy industries and small light industries continued to grow. For instance, in the third quarter of 1995 automobile, electronic, steel, petrochemical and machinery was up 17.4 percent over last year, while light industries grew up a meager 3.1 percent.

On the export front, the situation was even worse: While heavy industry products enjoyed a growth of 30-40

percent, the light industry products such as textiles and footwear fell from 21 percent to 14 percent.

In the first 10 months of the year approximately 4,800 small light-industry enterprises went bankrupt, compared to 3,500 such failures the year before.

A number of reasons can be blamed for this growth imbalance. For example, some economists suggest that the structure of the economy favors the heavy manufacturing sector, while others attribute the increase in small light-industry failures to the unavoidable restructuring pains the economy must undergo to become an advanced economy. These "predictable pains" it is suggested, are the result of the government's failure to take precautionary measures prior to economic restructuring.

To be more specific, a drastic increase in wages is blamed: In 1994 wages accounted for 63 percent of the value added by small light industries compared to the 47 percent reported by large heavy industries. Wage hikes have averaged more than 10 percent a year in the past few years, weakening the financial base of small businesses.

In addition, the repercussions of the real-name financial transaction system implemented in 1993 are still felt by small businesses. This system, which was intended to make financial transactions more transparent by prohibiting the use of fictitious or borrowed names in all financial transactions, made it difficult for many small businesses to procure bank loans.

Former President No Tae-u's arrest for amassing an illegal slush fund while in office, sent another shock wave through the already fragile credit market.

This wave of liberalizing influences that has swept the economy, has brought with it stiff competition, and for many small businesses this has meant failure.

Liberalization has also led to a domestic market more open to foreign businesses. As a result, imports have increased more dramatically than exports, making 1995 the first year that the nation's trade deficit is expected to reach 10-billion-dollars.

The 1995 limited opening of the rice market (53,307 tons) stemming from the World Trade Organization agreement is also worth noting, since the nation imported rice for the first time in 13 years. This has greatly discouraged rice farmers and resulted in the smallest rice harvest in 15 years.

In spite of these glitches, the economy as a whole prospered in 1995. The economic growth rate is expected to slow somewhat next year, however, and many are concerned whether or not the economy will make a soft landing in 1996.

Statistics on: Rises in Income, Consumption Noted
SK2112063795 Seoul THE KOREA HERALD
in English 21 Dec 95 p 8

[FBIS Transcribed Text] Bolstered by the economic boom and a subsequent rise in wages, urban workers' households saw their income surge in the July-September period from a year ago, the National Statistical Office (NSO) said yesterday.

The monthly average nominal income of an urban worker's household increased 13 percent, or 227,600 won, during the third quarter to 1,984,600 won from the year-earlier period.

Of the total nominal income, wage income amounted to 1,732,200 won, or up 14.6 percent from a year ago.

The income of the household head climbed 11.9 percent during the period to 1,388,200 won from a year ago while that of other family members shot up 26.6 percent to 343,900 won.

During the period, the real monthly income of the urban working household, or adjusted for 1990 constant prices, rose 8.6 percent to 1,458,200 won, the statistical agency said.

An urban worker's household spent 1,235,200 won on food, education, entertainment, transportation and other consumptive purposes during the third quarter, up 10.4 percent from a year ago.

Spending on food rose at an annual 8.4 percent rate to 377,500 won, while the ratio of food expenses to total consumption expenditures edged down to 30.6 percent from 31.1 percent a year ago.

An urban wage worker spent 125,900 won on meals outside the home during the third quarter, up 22 percent from the same period a year earlier.

Education expenditures rose at an annual 15.5 percent clip to 126,700 won, while 71,000 won was spent on entertainment and cultural activities, up 27.5 percent from a year ago.

Non-consumption expenditures increased 6.7 percent to 169,900 won during the third quarter from a year ago, while it paid 50,400 won in taxes, up 13 percent from a year earlier.

The disposable income of an urban worker's household, or its total income minus non-consumption expenditures, rose 13.6 percent during the third quarter to 1,814,700 won from the previous year.

Long-Term Plan for 'Key' Industries Announced

SK2012083995 Seoul YONHAP in English
0801 GMT 20 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP) — The Ministry of Trade, Industry and Energy Wednesday announced its long-term strategy for developing four key industries — textiles, home appliances, footwear and leather.

Textile imports and exports are expected to reach 25 billion and 20 billion U.S. dollars, respectively, by 2005. The ministry hopes to transform the current labor-intensive approach into a technology-intensive, high-value-added-oriented one, given the tough competition of developing nations, a ministry official said.

With this goal in mind, the source said, the ministry will encourage the production of expensive products, the export of domestic brands, and more aggressive marketing of both industrial and consumer oriented textiles, yarn and woven fabrics in particular.

In the field of home appliances the government plans to actively encourage production in those areas where a competitive edge over developing countries exists, and help domestic companies improve their designs to make products more fashionable, the source stated. It will also encourage the movement of uncompetitive production to foreign countries.

In the footwear market, the government plans to facilitate the expansion of small specialty companies, to expand the outbound shipments of the nation's own brands, while simultaneously discouraging the existing original equipment manufacturers (OEM) exports.

More specifically, the government plans to provide an annual 10 billion-won fund, for businesses planning to boost competitiveness through the development of automated manufacturing processes.

Automobile Exports Top 1 Million Mark in 1995

SK2112070295 Seoul THE KOREA TIMES in English
21 Dec 95 p 8

[FBIS Transcribed Text] Korea's exports of automobiles this year hit the 1 million mark Tuesday with 1,032,743 units.

This comes 19 years after the nation exported five Ponies to Ecuador in 1976 for the first time.

According to the Korea Automobile Manufacturers Association (KAMA), Hyundai Motor Co. shipped 461,276 vehicles based on customs clearance as of Tuesday this year, Daewoo Motor 266,561, Kia Motors 250,926, Ssangyong 13,270 and other makers 40,710.

Exporters of 1 million vehicles or more in the world are Japan, Germany, France, the United States, Canada and Spain, a KAMA official said.

Spain, and Canada are exporting many vehicles manufactured there by foreign makers from Japan, the United States and other nations, he said.

If in terms of brands originating from exporter nations, Korea ranks fifth, following Japan, Germany, France and the United States, he explained.

He cited automakers' continuous efforts to improve the capability of vehicles and diversify export markets as the major reason for the 1 million mark in exports.

Korean carmakers comprise the largest the foreign car market in 15 countries, including Australia. [sentence as published]

Hyundai, for example, has sold the largest number in Australia with a monthly average of 3,200 cars, beating Mitsubishi and Toyota. The company took first place in August in South Africa's foreign car market seven months after its debut there. Hyundai was also the top maker in other African nations, such as Kenya, Angola, Zimbabwe, Jordan.

'Big Increase' in Agrofishery Exports Noted

SK2112072295 Seoul YONHAP in English
0632 GMT 21 Dec 95

[FBIS Transcribed Excerpt] Seoul, Dec 21 (YONHAP) — [passage omitted] The country's agro-fishery exports via international expositions are on a big increase.

The Agriculture and Fishery Marketing Corp. said Thursday 301 companies took part in international exhibitions held in 14 nations this year and won export contracts valued at 107.49 million U.S. dollars, a 39.8 percent hike from a year earlier.

By product, ginseng items topped the export list with 20.02 million dollars, followed by kimchi with 19.30 million dollars, traditional wines with 11.48 million dollars, and traditional drinks with 10.54 million dollars, the state-run company said.

By country, Japan was the biggest importer of Korean agricultural and marine products with 46.15 million dollars or 42.9 percent of the total, followed by Hong Kong with 15.52 million dollars and the United States with 9.14 million dollars, the company noted.

Although the country had taken part in international exhibitions since 1988, when it participated at the Berlin International Exhibition, no export records were kept until 1991, the company explained.

Since then, South Korea's exhibition exports have gone from 7.97 million dollars in 1992, 26.85 million dollars in 1992 and 76.87 million dollars last year, the company added.

Textile Market Share Shrinks, Value-Added Urged
SK2112063695 Seoul THE KOREA HERALD
in English 21 Dec 95 p 8

[FBIS Transcribed Text] Korea's textile exports are expected to increase by an annual average of 3 percent during the 1996-2005 period with its export volume rising from \$19.2 billion in 1996 to \$25 billion in 2005, the Ministry of Trade, Industry and Energy (MOTIE) said yesterday.

However, the share of Korean-made textile goods in the world market will go down from 5.9 percent in 1996 to 5.3 percent in 2000, and further to 4.2 percent in 2005, it anticipated.

Releasing its long-term development vision and strategies of Korea's textile, footwear and leather industries, the MOTIE said that the domestic textile industry should focus its business strategy on developing more high value-added products, away from the mass production of labor-intensive goods.

At the same time, local textile makers should increase the portion of textile products for industrial use from 25 percent of the entire textile goods in 1996 to 40 percent in 2000, and again to 50 percent in 2005, it said.

Domestic demands for textile products are likely to rise by an annual average of 7.7 percent during the 1996-

2005 period to reach 38.2 trillion won in 2005, the MOTIE forecasted.

Commenting that the domestic footwear industry has lost its price competitiveness mainly owing to high wages and the shortage of skilled manpower, the MOTIE said that domestic footwear makers should seek ways of bolstering their competitive power through effective structural adjustments.

Related to this, the factory automatization ratio should be expanded from 10 percent in 1994 to 20 percent in 2000, and 30 percent in 2005, whereas the burden on personnel expenses should be reduced from 30 percent of the total costs to 20 percent, and further to 15 percent during the corresponding period, it said.

Presently, domestic footwear manufacturers spend 25-30 percent of the total operational costs for the payment of workers' wages, compared with 10-15 percent in Indonesia and 7-10 percent in China.

The MOTIE also predicted that the nation's exports of leather products will soar from \$1.3 billion in 1994 to \$5 billion in 2005 thanks mainly to brisk shipments of the goods to China and Southeast Asian countries.

Through active facility investments, the domestic footwear industry should jack up its technology power to the levels of advanced countries, such as Italy, before 2005, a ministry spokesman said, adding that its present level stands at some 60 percent of the target.

Burma

Article Says Suu Kyi Lies to People

BK2212100695 Rangoon THE NEW LIGHT OF MYANMAR in English 10 Dec 95 p 5

[Article by Pe Kan Kaung: "Deceivers of the First Water"]

[FBIS Transcribed Text] Talks and lectures, given by members of the "420" gang [referring to Aung San Suu Kyi and her party members] are so cleverly done with different variations each week to deceive the people in Myanmar [Burma] that they are identical to the ditty composed by Sale U Ponnya [prominent ancient writer] on pastmasters and the ilk. They are so clever in making believe their lies so much so that one comes to think that their prayers to become such genius persons in falsifying events must have been answered.

I have heard about a tale in which in spite of knowing one has been hoodwinked, one dare not speak out the truth and even has to tell lies to save one's skin. Being a tale, once there live in a certain ignorant country a queen known as Queen Ignorant who ruled the country. One day there was a lot of hustle and bustle by some citizens of that country. This hustle and bustle was the result of the news that a "poke" (huge basket for storing crops) had emerged and the entire six tiers of the abode of nats [celestial beings] could be seen from this basket.

Let me tell you before hand that this six tiers of the abode of nats from the tale I am relating now is not the same as the six tiers of the abode of nats from the preachings of Buddha. The six tiers which I am relating now is similar to the six-tiers three storey buildings built by constructors of today. I am not the type to encourage those who ridicule Buddha as Muddha [hydrocele]. I have not the guts to do such a thing.

The six tiers of the abode of nats from the preachings of Buddha lie at the top of Yugando Mountain some 42,000 yuzanas [1 yuzana equals 12.72 miles] away from our earth. Then, some 42,100 yuzanas higher than this abode of nats is the abode of nats known as Tarwateinta which lies at the peak of Myinmo Mountain. Then there are other abodes of nats which are 42,000 yuzanas higher than each one. The length of one yuzana is 12 miles, 5 furlongs, 8 chains and 4 yards.

The soil in the abode of nats is not made of particles of dust but composed of glass particles. As there is no dirt there the bodies of the nats are clear and shiny. The nats eat only a small amount of nourishing food known at "Nat Thoddar" unlike the food with carbon content which we eat. They eat only one kind of this nourishing food to keep them fit and strong. Therefore, there is no need for them to eject carbon wastes from their bodies.

That is why they do not need to go to the lavatory like human beings.

As I have said earlier, the foolish people of that certain country who were ignorant about the facts of the abode of nats believed in the emergence of the huge baskets from which the six tiers of the abode of nats could be seen and there was none who denied that it was impossible. The persons in charge of handling this huge basket was none other than Professor Ignorant [referring to Aung San Suu Kyi] who had obtained an honorary doctorate.

The people of this ignorant country went to test this huge basket by entering it one after another as they wanted to see the six-tiers abode of the nats. A huge crowd gathered around this basket. The manner in which they entered the basket was like this.

Before the first person could enter the huge basket, Dr Ignorant shouted aloud thus for all those present to hear: "If this Ko Ko [Brother] Ignorant is an offspring of a decent and honourable parents may he see the six tiers of the abode of nats". He then permitted that person to enter the basket. When he entered the basket he could not see anything and he muttered "Alas! and a thought nagged at him whether he was really a son of good and noble parents and it will be a disgrace if the people think him to be the offspring of dishonest and bad parents. Thinking thus, he came out of the baskets and said that the abode of nats was nothing like the place where human-beings live and encouraged others to enter and see for themselves. The people entered the basket one after another and there was none who said that he could not see the abode of the nats. All had been hoodwinked.

When this news reached the queen's ears she gave orders to enquire about this matter. She ordered her two aged Bobogyis, her two faithful ministers to go and see what it was all about. This time, Dr Ignorant shouted out that if these two aged men are really men of wisdom and faithful to the queen, let the abode of the nats come into their vision.

As the queen was no ordinary person, she ordered the two aged ministers to enter the basket together. When they got inside the basket they were in a great fix as none of them could see anything. They began to think whether they were not wise men after all or they were not faithful to the queen. When they came out of the basket, both of them said that due to the powers of the queen they were able to see. At this, the queen wanted to test this herself and she entered the basket with much royalty. When the queen entered the basket, Dr Ignorant shouted out that if the queen really ruled the country in

accordance with the 10 codes of conduct of kings, may she be able to see.

This put the queen in a terrible fix as all the citizens as well as the two ministers had said that they saw the abode of the nats. If she admitted that she could not see, the people will think her to be a good-for-nothing woman who did not rule the country according to the 10 codes of conduct of the kings and would probably dethrone her. As she came out of the basket, she remarked that it was very beautiful and pleasant. This is how the tale ends.

In our country also, after the people were hoodwinked in a similar manner, there is a "420" gang which is leading in trying to deceive others. If one who tell lies does so in haste he is liable to get caught. For instance, let us lie and say that the National Convention being held today is being convened without public support. This cannot be said quite easily. There is the need to show a proof. That is why, without giving sound proof and after finding fault without any reason a certain group [delegates of the National League for Democracy] attending the convention was debarred from attending it. As the public is well aware of, as they reached this stage, they thought that they had got hold of the situation and began to clamour, giving the reason that the group which had the support of the majority of the people, had abandoned the convention.

I pondered over this matter. The usage "the party which has the support of the people" means it is merely used based on the result of the election. People who do not know about Declaration No 896 of the Election Commission may think this may be right. But as for me I clearly detected the weaknesses in the lying strategy of the "420" gang. Yes it is true. The Declaration No 896 of the Election Commission has been recognized by the entire world and the United Nations.

According to this declaration, the party which won the majority of vote in our country got only 38.11366 per cent of votes out of those eligible to vote. It is necessary to determine whether or not they represent the majority of the people.

Now that mass rallies to express public support for successful completion of the National Convention are being held in the various states and divisions, the "420" gang got a strong blow in the belly. But the gang did not give up easily. They began to tell lies that the public attended the rallies because they did not want to pay a fine of 50 kyats each. They even tried to give proof in lying. They said that this was reported to the chief of their gang by a person of Monywa.

As I am fully aware of such propaganda tactics, such as grey propaganda, black propaganda and divisive propaganda being used as the proper place, I had to say that they were merely lying.

As it is a letter written about the event that this took place in Monywa on 2 December morning and arrived with foul air programme in the evening of 3 December, we must take credit that the postal service in our Myanmar does not rest even on Saturdays and Sundays and is very efficient. This is just to give an example. Please be careful how you lie and make it believable.

According to my sixth sense, I can visualize what the "420" gang will do after collaborating with foreign broadcasting services. They will carry out political propaganda on a wide scale and from that stage they will go on to carry out controversial propaganda to completely change the present system being implemented in the country.

It is also seen that they had exaggerated trifles and spun yarns to make them look enormous as though this had taken place in all parts of the country, by using the false generalization method. Their propaganda was so much they fell short of saying the doctors were mere medicine thieves. It is quite obvious that the foreign broadcasting station using the shuffle artifice methods with ulterior motive is at their service. It is an undeniable fact.

The method which the "420" gang mostly uses is the method of refusal to reveal the source of information. For example a person from Monywa as mentioned earlier, a person from Pagan, freedom lovers of North Okkalapa, a person from Hlaingthaya who has personally experienced, a monk, a disabled persons from Gangawlaw, democracy monks and such like. There will be several ploys and concoctions churned up by the gang.

They are indeed very clever. That is why, even without doing anything by merely hearing "democracy" uttered in exclamation by someone sneezing there is the group which rushes in to bestow gifts. I, in order to outdo them would like to bestow gifts on them this time for being very smart in telling lies and bestow the title "Deceivers of the first water."

Daily Reports People Support National Convention
BK2212013695 Rangoon THE NEW LIGHT OF MYANMAR in English 10 Dec 95 p 6

[Editorial: "Solid Endorsement"]

[FBIS Transcribed Text] Over 120,000 people of 42 townships in Yangon [Rangoon] Division rallied to endorse a worthy cause, their mighty affirmation of the resolution passed at the mass meeting on the lawns

of the National Stadium-1 in Thuwunna, forming solid endorsement of the task being carried out in the broadest national interest.

Yesterday and the day before, over 134,000 people of townships converged on five different venues to do the same. Their decision was unanimous, telling the National Convention Commission and the nearly 600 delegates to go ahead with their noble undertaking with confidence, with the people confidently backing them.

Earlier in the week, the citizenry in the Shwebo, Sagaing and Kyaukse areas got together in a mammoth display of support for the good work that is being done as a prelude to the writing a new State Constitution that will help shape this nation's future.

Everywhere the masses met in like manner with a tremendous show of force, the message has been, and continues to be, loud and clear: the National Convention will proceed till success is achieved despite the interference of foreign media and internal subversive elements.

In the time of the State Law and Order Restoration Council, a great deal has been accomplished in the national interest, and there is a great deal of tangible evidence.

At the same time, while the Government and the current leadership continue to move toward positive achievements, those who cannot bear to see the deeds materializing are working overtime to disturb what is being done, futile as their attempts prove to be.

Those who are bent on interfering in the internal affairs of this nation, though knowing full well they will never succeed, are observed perpetrating their acts of folly continually.

No less despicable is the act put up by those who pander to alien whims, fawning for the aunt over the mother's shoulders as is said in English, or as is bluntly put hereabouts, trying to love the stepfather more than one's own father.

No amount of gibberish, cacophony of taunts or diatribes verbal or electronic will deter the State Law and Order Restoration Council from proceeding along the path toward providing the nation with political pluralism that is free of foreign influence or domination.

With one voice the masses say 'Carry on with the good work. We are firmly committed and will always support you'.

This must fully be understood by detractors and subversive elements within and without.

Dec Figures on Repatriated Refugees Reported

BK2112105695 Rangoon THE NEW LIGHT OF MYANMAR in English 13 Dec 95 p 7

[FBIS Transcribed Text] A total of 205 persons of 38 households were transferred back at Kanyinchaung camp on 7 December under the agreement reached between Myanmar [Burma] and Bangladesh.

Altogether 195,221 persons of 39,345 households have been transferred back since 22 September 1992.

Brunei, Malaysia & Singapore

Malaysia

Prime Minister Proposes Opening Trade to Brazil

PY2112160695 Rio de Janeiro O GLOBO in Portuguese 19 Dec 95 p 8

[Article by special correspondent Rodolfo Fernandes]

[FBIS Translated Text] Kuala Lumpur — Malaysian Prime Minister Mahatir Mohamad surprised President Fernando Henrique Cardoso on 18 December when, during a meeting held by the two countries' team, he offered Brazil the possibility of immediately installing a trade post in Malaysia. The offer made the Brazilian diplomats very enthusiastic because it represents direct access to a 500 million people market in Southeast Asia and Japan. This market is responsible for 25 percent of the overall international trade.

Itamaraty plans to disseminate this information among private entrepreneurs to make the opportunity a reality. The Brazilian diplomats immediately see two good businesses fronts resulting from this offer: a more reasonable cost of transportation to this region, where products arrive without having to pay taxes, and the manufacture of large ships because, so far, Malaysia can only build ships of up to 80 tonnes.

President Cardoso said that despite several differences regarding the political regime and the two countries' culture, Malaysia "represents a good 'lesson' for Brazil."

He said: They have implemented reforms, have not been afraid of competing, and have oriented their production toward exports.

Several of the reforms implemented in Malaysia have only been possible due to the dictatorial regime which uses the cheapest labor in the world. With a territory 23 times smaller than Brazil's, Malaysia manages to export \$59 billion, while Brazil exports around \$45 billion. Whoever thinks that Malaysian exports are those typical of a Third World country is very much

mistaken. On the contrary: Malaysia exports to Brazil manufactured products, telecommunications equipment, integrated circuits, and electrical machines while Brazil exports mainly primary materials such as steel, iron ore, leather, and livestock feed, among other things to Malaysia.

President Cardoso concluded by saying: There is a certain strictness here and some of the measures adopted here are not applicable to Brazil. They represent, however, a lesson to us. We must learn to use our freedom in favor of the people; we must awaken the country's sensitivity toward the need of achieving economic growth and thus fight poverty; we must make sure that the people recover their dignity, and that everyone is granted the right to education.

Singapore

Indonesian-Australian Security Accord Welcomed

*BK2212040495 Singapore BUSINESS TIMES
in English 22 Dec 95*

[Editorial: "Australia's New Bridge to Asia" — received via Internet]

[FBIS Transcribed Text] THE security agreement that Indonesia and Australia signed on Monday [18 December] laid the ghosts of the past. What is more important, it also laid the foundations of a more fruitful future. Australian Prime Minister Paul Keating was not indulging in hyperbole when he described the move as "a serious and important step for both countries".

Perhaps, however, the greater significance is for Australia. The implications for Indonesia, though far more than ceremonial, are likely to be most discernible at the level of political psychology. The very fact that Foreign Minister Ali Alatas was at some pains to explain that what had been signed was only an agreement and not a defence alliance, because a non-aligned nation does not have defence alliances, underlined the extent to which Indonesia has tempered doctrinal orthodoxy with political realism. The short-term practical impact may not be very significant since Indonesia and Australia were already engaged in fairly extensive joint defence activities.

Now acknowledged formally, the relationship will be institutionalised by regular ministerial consultations, and — most crucial — provision for a joint response to adverse external challenges. In the long run, these commitments cannot but have some effect on Jakarta's regional and global perceptions. For Australia, however, Monday's ceremony was truly a "moment in history". Of course, Australia already has long-standing defence arrangements with Singapore and Malaysia, and is a

member of the Asean Regional Forum. But these are obligations that could be discharged without necessarily rising above the inflexible mind-set of a society that has been described in the past as Europe adrift in Asia.

The new agreement indicates coming to terms with geography. Not because either party faces an imminent threat, whether from each other or from any third power, but because it recognises how closely their fortunes are linked together. It cannot but make a profound difference to Australian life, political and social, domestic and external, if that geopolitical compulsion is regarded as a premise for policy-making. Not for a moment does this mean that Australia is now expected to undergo some kind of miraculous metamorphosis, and acquire a phoney Asian personality. What it does mean — and this far more relevant than any cultural concession — is that a bridge now links Australia with its nearest Asian neighbour. The agreement should rightly be seen not as a narrow conduit for security cooperation between two countries, but as a broad plank that will facilitate multifaceted interaction that also contributes to the stability of the region as a whole.

Historically, and as borne out by a succession of defence White Papers, Canberra has always been concerned with threats from the north. Fear and suspicion kept alive threat perceptions that ranged from the military to the economic to the demographic. Indonesia was not necessarily a direct factor in these calculations; in fact, Indonesia might well share some Australian misgivings. But it did not help that relations were bedevilled by the East Timor controversy, fuelled by a small but vociferous lobby. By returning to an earlier era when Australians extended sympathy and support to Indonesia's struggle against the Dutch, Canberra may have buried the uneasy recent past. In doing so, it may also have created the capability to take a joint stand against any challenge from the north.

Cambodia

Sirivut Departs for Singapore En Route to Paris

*BK2112040795 Hong Kong AFP in English
0342 GMT 21 Dec 95*

[FBIS Transcribed Text] Phnom Penh, Dec 21 (AFP) — Prince Norodom Sirivut, accused of plotting to assassinate co-Premier Hun Sen, left Cambodia Thursday [21 December] en route to exile in France.

A heavily-guarded Prince Sirivut, the half-brother of King Norodom Sihanouk, boarded Silk Air flight 601 that left Phnom Penh at 10:30 a.m. (0330 GMT) for Singapore.

The prince, who has steadfastly maintained his innocence, is expected to stay in the island state for two days before departing for Paris.

Message Exchange by Hun Sen, Sirivut Reported

BK2012135095 Phnom Penh National Radio of Cambodia Network in Cambodian 1100 GMT 20 Dec 95

[FBIS Translated Text] In a message expressing thanks to Samdech Hun Sen, second prime minister, written by Prince Kromkhun Norodom Sirivut on 19 December 1995 the day before he is scheduled to leave Cambodia, the prince kromkhun expressed supple and profound sentiments of gratitude to the kind and highly compassionate gesture Samdech Hun Sen has shown him. The prince kromkhun further specified that: Respected Excellency Samdech Hun Sen, please accept my never-ending respect. I will never forget the good deed of Samdech Hun Sen bestowed upon me. I wish Excellency Samdech Hun Sen complete and lofty success in his historic mission as second leader of the Royal Government of Cambodia.

In his reply, sent a few hours after receiving the prince kromkhun's message, Samdech Hun Sen conveyed his wishes to Prince Kromkhun Norodom Sirivut and again stressed his stance to unswervingly follow His Majesty King Norodom Sihanouk's initiative aimed at consolidating and ensuring the continued existence of the constitutional monarchy in the fine Cambodian land. Samdech Hun Sen ended his reply, dated 20 December 1995, by asking Prince Kromkhun Norodom Sirivut to accept his sincere consideration.

Khmer Rouge Comment on Prince Sirivut's Exile

BK2212091295 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 21 Dec 95

[FBIS Translated Text] The masses in Phnom Penh have said the communist Vietnamese puppet Hun Sen forced Prince Sirivut to go into exile.

The masses in Phnom Penh have said that communist Vietnam and its out-and-out lackey Hun Sen have used another dirty trick to eliminate Prince Sirivut from Cambodia. They have forced the prince to say and write this or that and have claimed, with this or that reason, that the prince has agreed to exile himself, and so on.

However, what is the truth? Prince Sirivut, who has been imprisoned for a month, at Hun Sen's order, has, on many occasions, stated that he is innocent and that he will never leave the country. Knowing that the longer Prince Sirivut remained in jail, the more strongly national and international communities would

condemn them, Hun Sen and [cointerior minister] Sar Kheng ordered their underlings to go to the prison to intimidate and threaten Prince Sirivut, forcing him to leave the country. Therefore, the so-called statement on the prince's exile is a result of intimidation and threats used by the communist Vietnamese out-and-out lackeys Hun Sen and Sar Kheng at communist Vietnam's more vigorously fascist and dictatorial order. They liquidate and eliminate, with all kinds of nasty means and tricks, all those who oppose communist Vietnam and the nation-betraying two heads.

The action taken by the communist Vietnamese out-and-out lackeys above, more clearly shows the masses that Cambodia truly belongs to Vietnam. Nevertheless, the Cambodian nation and people, who have known Vietnam through 17 years of struggle, never allow it to wolf down and swallow Cambodia with impunity. Should it remain persistent in wolfing down and swallowing Cambodia, the Cambodian nation and people will continue to stab its throats.

Khmer Rouge Refute Hanoi's Communiqué on Nation

BK2212111395 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 21 Dec 95

[Unattributed commentary]

[FBIS Translated Text] 1. Communist Vietnam issued a press communiqué in Hanoi on 16 December 1995 saying that it respects Cambodia's independence, sovereignty, and territorial integrity and the Cambodian people's right to self-determination.

2. The press communiqué is a gross deception made by the Hanoi communist Vietnamese in broad daylight that the entire Cambodian nation and people will never accept but instead will oppose and reject completely.

For 17 years, meaning since the end of 1978, everyone has been thoroughly aware that communist Vietnam has been waging a war aimed at exterminating the Cambodian race through the use of military war, demographic war, economic war, and the war of spreading all kinds of vices.

Over a period of 17 years, communist Vietnam has not only trampled upon but also killed Cambodia's independence and sovereignty for the purpose of turning the country into one of its provinces. For instance, on top of nearly 300,000 all-level Vietnamese troops and administrators sent to invade Cambodia since 1979, communist Vietnam has also made over 4 million ethnic Vietnamese, its aggressor forces, flow in to nip at and swallow Cambodia in all fields and sectors.

The over 4 million ethnic Vietnamese have controlled and grabbed rice fields, orchards, forests, rivers, lakes, seas, islands belonging to the Cambodian people in a wholesale manner. In villages and communes and even in some districts, pure Vietnamese have been appointed as administrators to assume the full control. This has caused turmoil, insecurity, and terrorism on a permanent basis.

Aside from this, communist Vietnam has also seized tens of thousands of square kilometers of Cambodia's land, seas, and islands in the east. It continues to move gradually and ceaselessly deep inside the country.

Are all actions not the killing of Cambodia's independence and sovereignty? Are they not the gross and barbaric encroachment upon Cambodia's territorial integrity?

As for its interference in Cambodia's internal affairs, it is beyond words because communist Vietnam has interfered more than a hundred thousand, a million times. That is, it has installed its administration to occupy Cambodia directly.

Who does not know that communist Vietnam is controlling Cambodia through its out-and-out lackey puppets with Hun Sen as the ringleader of the goons? Who does not know that Hun Sen's party is a party belonging to the communist Vietnamese puppets? Who does not know that Le Duc Anh is occupying Cambodia through the communist Vietnamese party committee exerting total control over the party of the communist Vietnamese puppets? Who does not know that the present-day Cambodia's administration, ranging from ministries and departments in Phnom Penh to the authorities at villages and communes, is the administration installed by communist Vietnam since 1979?

The entire Cambodian nation and people, who have been victimized and who have been fighting against the communist Vietnamese tooth and nail for 17 years, are well aware of all of the events. Therefore, communist Vietnam can never deceive them, in any case.

So long as communist Vietnam refuses to end the race-extermimating war of aggression against Cambodia by withdrawing all its invading forces, especially the over 4 million ethnic Vietnamese, from Cambodia and so long as communist Vietnam refuses to spit out and hand over tens of thousands of square kilometers of land, seas, islands they have wolfed down and swallowed to Cambodia, the so-called pledge to respect independence, sovereignty, and territorial integrity of Cambodia is only a pack of lies uttered by the war criminal that the entire Cambodian nation and people and the world people strongly condemn and vehemently oppose and reject.

KRAF, NP Chiefs Visit Battambang Province

BK2112055895 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 21 Dec 95 p 12

[Report by Peyatro]

[FBIS Translated Text] During their joint visit to lend encouragement to the armed forces in the 5th Military Region late last week, the director general of the National Police [NP] and the chief of the Khmer Royal Armed Forces [KRAF] General Staff asked the KRAF and NP to cooperate with the commando unit of the 2d Brigade to uncover covert agents of the Khmer Rouge [KR] rebels.

General Ke Kimyan, commander of the General Staff troops [me banhcheaka kangtoap ney akkeaksenathika] told the officers of the 2d jungle antiguerrilla Brigade stationed at Thippadei Hill that "If we do not root out KR infiltrators in the areas under our control, communication routes will be further cut off and our people will not be able to earn a living in safety."

The general added that all of the troops must be ready to resist and counterattack any activities mounted by the rebels in the near future. They must also wipe out all of the KR's leopards spots [smaller KR bases] in Battambang Province, organize and keep villages and communes taken from the rebels under the control of the Royal Government [RG], and ensure security for the people to allow them to make a living and do business safely.

Gen. Ke Kimyan made the remarks after the 2d jungle antiguerrilla brigade commander presented a report giving an account of the activities conducted by the rebels to terrorize people in some remote areas in Battambang Province. The KR continues to cut off communication routes, including roads and railroads; to hold teachers captive for ransom; to take away and kill civil servants; and to steal or torch rice and paddy belonging to the people.

In a speech made during his visit to the national police deployed on various battlefields in Battambang Province, General Hok Langdi, NP director general, encouraged officers and privates to continue protecting the railway system. In particular, he added, they should from now on closely cooperate with the KRAF, when something happens, to unmask all of the KR infiltrators in the areas under their responsibility.

Large-Scale Offensive Against Khmer Rouge Urged*BK2212100495 Phnom Penh REAKSMEI**KAMPUCHEA in Cambodian 22 Dec 95 pp 1, 2*

["This Issue's Comment" column by Meanop: "The Chance to Eliminate the Khmer Rouge Has Come"]

[FBIS Translated Text] According to military sources, this year's dry-season campaign might begin at the beginning of January 1996 with an aim to attack all the Khmer Rouge bases along the border with Thailand. The government forces are capable of attacking and seizing the Khmer Rouge bases because they are now stronger and better equipped with modern war materiel than they have been in the past two years.

The Khmer Rouge's 14 big bases along the border include Preah Vihear temple, Anlung Veng, Phnum Malai, and Pailin. These are their last strongholds that government troops have failed to seize during last year's campaigns. Instead, the government troops were taught a bitter lesson. Judging from a military strategic point, all these strongholds can be seized with strong air power. Last year, the government used only the infantry forces and some helicopters.

This year's offensive campaign against the Khmer Rouge will be different from the previous ones. Over 100 tanks and armored personnel carriers that Cambodia bought from Czechoslovakia and Poland arrived at the beginning of this year. At the end of the year, 10 fighter aircraft pilots returned from Israel after completing their training. It is expected that six L-39's worth about \$3.6 million, which the Royal Government of Cambodia bought from Israel will arrive in Cambodia in January 1996.

Moreover, four MIG-21 that the government sent to Israel for remodeling are expected to return to Cambodia at the same time. The army reforms and the assistance given by the United States, France, and Australia in training and strengthening the capability of the Cambodian armed forces have enhanced Cambodia's capability to safeguard peace and security against the Khmer Rouge.

Therefore, the time has come for us to smash and destroy the Khmer Rouge forces and to seize their bases.

Military observers expect that with Cambodia's present war equipment and the number of forces that have already been strengthened, it will certainly be difficult for the remaining 4,000 Khmer Rouge forces to withstand government forces if this year's dry-season campaign is to be launched on such a large-scale.

We must not let the Khmer Rouge continue to destroy our country. Although the use of mines to destroy

railroad tracks, highways, and bridges, the shelling into villages, and some hit-and-run campaigns are merely strategic offensives of Khmer Rouge who have not been able to seize control of any particular position, they help to amplify the so-called "insecurity" inside the country, thus discouraging some countries from coming to do business or invest in Cambodia.

Basing on its existing forces and war equipment, the government should take this opportunity to wipe out all Khmer Rouge bases so as to eliminate the so-called "fear of the Khmer Rouge." The Khmer Rouge are not that strong. The Khmer Rouge cannot do any harm to the government. But the word "Khmer Rouge" and the existence of the Khmer Rouge cause the people to be alarmed.

Disinformation Conviction Against Editor Upheld*BK2212053095 Hong Kong AFP in English**0406 GMT 22 Dec 95*

[FBIS Transcribed Text] Phnom Penh, Dec 22 (AFP) — A Cambodian appeals court on Friday upheld a lower court's ruling that closed a newspaper and sentenced its editor to a one-year jail term and a hefty fine.

Chief Appeals Court Judge Uk Savut ruled that Hen Vipheak, editor of the Khmer-language Sereipheap Thmei (New Liberty News), must close down his newspaper, serve the jail time and pay a 2,000-dollar fine.

The sentences will be delayed pending an appeal by Hen Vipheak to Cambodia's supreme court, Ouk Savuth said.

In May, Phnom Penh municipal court found Hen Vipheak guilty of disinformation and defamation for a letter to the editor he published entitled "Country of Thieves" attacking co-Premiers Prince Norodom Ranariddh and Hun Sen for their handling of Cambodian affairs.

The appeals court overturned the defamation conviction but upheld the disinformation charge and the full sentence.

After the appeal, Hen Vipheak defended his story as being truthful and said he would appeal further.

"I feel pained because I could not defend the truth (of the letter)," he said. "The judge was not independent."

New Liberty News made headlines in late October when its office was attacked by a group of people identified by witnesses as residents of a development zone sponsored by Hun Sen.

Hun Sen later defended the attackers saying they had been justified in their actions because the newspaper had been critical of the development project.

Army Prepares Dry-Season Offensive Against KR
BK2012065595 Phnom Penh PHNOM PENH POST in English 15-28 Dec 95 p 2

[Unattributed report]

[FBIS Transcribed Text] Military trucks each carrying around 50 Government soldiers — ten trucks last week, another eight on Dec 12 — passed through Battambang to Ratanamondol District in a possible build-up to a dry season offensive.

Tanks have also been positioned in and around the same district, traditionally a place of heavy dry season fighting against the Khmer Rouge.

A Cambodian district military commander told the Post that he and his troops were preparing for this season's dry offensive.

"The main place for fighting is (usually) around Route 10, near Poipet," he said. "We could start to fight within 15 days of receiving orders," he said, "but we haven't received our orders yet."

The commander estimated there were around 3,000 "Khmer Rouge [KR]" in the area, though he said that 1,000 of those were armed soldiers.

But Tie Banh, co-Minister of Defense, said the troop build-up was only to protect the area against traditional KR offensives at this time of year.

"We are not going to attack the Khmer Rouge first," Tie Banh said.

He confirmed the area of buildup was to the north and west of Battambang, especially on the Route 10 to the KR town of Pailin.

Ranariddh Refutes Human Rights Accusations
BK2212081095 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 22 Dec 95 p 2

[Report by Vanna]

[FBIS Translated Text] Prince Krompreah Norodom Ranariddh, first prime minister of the Kingdom of Cambodia, said at the Information Ministry on 20 December that the dissemination of news through national radio and television and through private radio and television stations and newspapers is very important. The press, he added, plays a great role in conveying to the public all kinds of news from the Royal Government [RG] and the National Assembly and informing the RG of the people's needs in a timely fashion.

Commenting on press freedom, the prince krompreah criticized Western diplomats and newspapers for pointing out the irregularity of everything that is implemented and all action that is taken within the framework of a liberal, democratic, and multiparty system in Cambodia.

The prince said he wondered why the West likes to profess that Cambodia has not properly implemented the Western concept of a liberal, democratic, and multiparty system. If the implementation is imperfect, he added, Western diplomats and reporters in Cambodia at present should advise the RG on how to implement it properly.

The prince went on to say that the Western countries have taught Cambodia how to implement democracy — Cambodia itself also previously used to learn such ways — but when Cambodia carries out the implementation according to what they have taught, they then accuse Cambodia of violating human rights.

Efforts To Stop Marijuana Trade Increasing
BK2012075195 Phnom Penh PHNOM PENH POST in English 15-28 Dec 95 p 13

[Report by Mang Channo]

[FBIS Transcribed Text] Koh Kong — Local authorities here have destroyed 17 hectares of marijuana so far this month in a crack-down on a crop that is proving increasingly popular for locals to grow.

Policemen are being sent to off-shore islands to slash the plantations.

Pal San, Koh Kong's deputy governor, said that the marijuana was being exported to Thailand and other Asian countries.

Pal San reckoned there was at least another 50 hectares of marijuana that he knew about around the province.

However, he added that destroying the illegal plantations had a negative affect on the farming families who were growing it.

Many families had borrowed money to set up their investment crop, he said.

But he had to destroy it because he wanted to reduce social problems in Cambodian and other countries, he said.

"None of our people use marijuana or heroin", but he said his people were dealing with such drugs as their business and livelihoods.

Pal San said that the marijuana crop started booming this year because of a big black market demand.

Villagers were "forced" to grow the crop because the return was better than any other, he said.

Villagers were getting about \$30 a "bale" for the drug, and it sold in Thailand for around \$100 "wholesale", he said.

Pal San said local police had also confiscated about a thousand kilograms of marijuana last week, along with a machine used for packing the dried plants ready for export.

Indonesia

'No Shock Policies' To Cool Down Economy

BK2212061795 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 22 Dec 95

[FBIS Translated Text] Ministers in charge of economic affairs have seen the need to cool down the Indonesian economy, which appears to be overheating, but there will be no shock policies to cool it down. Finance Minister Mari'e Muhammad told reporters in Jakarta yesterday that efforts to cool down the economy should not cover only the monetary sector.

According to Minister Mari'e Muhammad, other sectors like the fiscal and real sectors should also be integrated into the process. He said Indonesia continues to need a high economic growth or an annual average of 7 percent because the growth will spur investment boosting economic activities.

Editorial Praises Security Accord With Australia

BK2112114195 Jakarta KOMPAS in Indonesian 21 Dec 95 p 4

[Editorial: "Indonesian-Australian Security Agreement Has Far- Reaching Effects"]

[FBIS Translated Text] The Agreement on Maintaining Security signed by Indonesia and Australia in Jakarta last Monday has drawn wide attention. The agreement is bilateral in nature, but its significance and effect are regional because of Indonesia's strategic weight and Australia's military capability as an industrialized nation in Asia [as published].

Several factors have affected the good will and efforts to maintain good bilateral relations. Australia is suspicious of Indonesia due to the latter's large population and past political behavior. Indonesia's policy during the period of confrontation was an example. Its suspicion may also be attributed to the integration process in East Timor. The different sociopolitical and cultural systems, values, and level of development are another factor. The ups and downs of good bilateral relations have always been attributed to the two above-mentioned factors. The first

factor — the existence of suspicion — became the basis of President Suharto's remarks. The president hoped that "Australia's suspicion would disappear" now that the security agreement has been signed. What about the second factor — their different sociopolitical systems and level of development? This factor will remain and could become the root of all problems, but it will not affect the development of good relations and efforts to strengthen mutual understanding.

The economic gap will instead become narrow due to Indonesia's economic progress. Economic progress is closely linked with a correct economic policy and political stability. The two countries, particularly Australia have accepted that good relations and cooperation can be built on the basis of the maintenance of their different values, ways, and identities.

Good bilateral relations and cooperation will become smoother and stronger if Indonesia is successful in developing its economy and establishing a stable government.

What about the East Timor issue? Looking at the historic perspective, Australia's stance on the integration of East Timor into Indonesia is analogous with its stance on Indonesia's struggle for independence against the Netherlands. The neighboring country's stance is correct and timely.

East Timor will still affect bilateral relations. Nevertheless, Indonesia and Australia in fact share analogous, if not similar, views on the East Timor issue. More time will be needed to settle the East Timor issue, but the issue will die down and eventually disappear in line with the success of Indonesia's economic development and the establishment of an authoritative and effective government.

The East Timor issue may have greater effects on good bilateral relations if the two countries do not build a stronger basis and framework of cooperation. The agreement signed last Monday has strengthened the basis and framework of cooperation.

How can we say that the security agreement has drawn attention and has far-reaching effects beyond the two countries?

Without intending to belittle common efforts by other countries to promote cooperation, including cooperation within the framework of APEC [Asia-Pacific Economic Cooperation], we believe that the step jointly taken by Indonesia and Australia has contributed constructively and dynamically to the efforts.

We can recall how the two countries exchanged views on the great initiative in various forums where other regional parties were involved.

In addition, we want to note that Indonesia and Australia drafted a common formula and subsequently approached other countries to settle the Cambodian conflict. Peace accords were eventually signed and there is peace in Cambodia.

Based on that pattern, we hope that the bilateral security agreement will have regional effects. Coincidentally, there is a shift in the configuration among powers in the Asia-Pacific region.

Talking about the shift in the configuration, people will immediately raise the presence of the United States, Japan, and the PRC. Afterwards, they will discuss Korea as a positive and negative factor. Southeast Asia within the scope of ASEAN or within a wider scope will also come up in their discussions.

Bilaterally speaking, the security agreement confirms and ensures a sense of security, mutual understanding, and cooperation between Indonesia and Australia in defense and security.

For Australia, the agreement can be regarded as reaffirming its existing security cooperation with other Southeast Asian countries that dates back to the Cold War period.

For Indonesia, the agreement has strengthened its strategic weight and role in regional cooperation, which has been recognized and respected due to its low-key stance.

The Indonesian-Australian security agreement has strengthened the pillars of regional security and resilience in view of the shift in relations and cooperation among Asia-Pacific powers such as the United States, Japan, and the PRC.

Prime Minister Paul Keating says that the signing of the Indonesian-Australian security agreement has been widely supported in his country, including the press circles. This is important mainly because the two countries have different sociopolitical systems and some past stereotypes remain.

The Australian prime minister's remarks are also important because it is no secret that efforts to strengthen mutual understanding have been strongly influenced by the personal relationship based on mutual trust between Prime Minister Paul Keating and President Suharto.

The personal relationship is a positive asset. Bilateral relations will become stronger and more durable if citizens and institutions in the two countries are involved in efforts to strengthen relations. Bilateral relations and

cooperation need to be nurtured to allow the peoples of the countries to benefit from the cooperation.

Security Agreement With Australia Viewed

BK2012075495

[FBIS Editorial Report] Two Indonesian-language Jakarta dailies, **REPUBLIKA** and **SUARA KARYA**, carry editorials on 19 December commenting on the security agreement signed between Indonesia and Australia in Jakarta on 18 December.

REPUBLIKA carries a 600-word editorial on page 6 entitled: "More on the Question of the Indonesia-Australia Security Agreement." It notes: "The visit to Jakarta by Australian Prime Minister Paul Keating and his delegation automatically indicates that country's firm political attitude toward Indonesia."

It adds: "To us, the signing of the Agreement on Maintaining Security [preceding four words in English] is a historic moment in bilateral relations between the two countries. Why not? This is the first agreement on maintaining security signed by the two countries after the ups and downs in their relations over the last decade. We can say that this three-part agreement caps the lessons that the two countries have learned from the many bilateral issues."

Quoting the second article of the agreement, stressing consultations, the editorial recalls the withdrawal of Herman Mantiri's nomination as Indonesian ambassador to Australia and says this would not have happened if there were regular consultations between the two countries.

The editorial adds: "The agreement that was signed yesterday guarantees the settlement of such cases. It makes it possible for the two governments to devise measures to be taken jointly or individually to enhance common security."

Acknowledging the friendly attitude demonstrated by Australia toward Indonesia and the significance of Indonesia to Australia, the editorial concludes: "We must also be active in developing close and mutually beneficial relations with our neighbor. Australia should not be the only side that takes advantage of the opportunities available, particularly in business and trade."

SUARA KARYA carries a 600-word editorial on page 5 entitled: "Republic of Indonesia-Australia Security." The editorial says: "The substance of the agreement shows that it is not a military pact at all. It only serves to strengthen existing bilateral friendly relations through mutual respect for each other's sovereignty, political freedom, and territorial integrity."

Continuing, the editorial says: "The agreement crowns the rapidly growing cooperation between the two countries. We wish to underline that under this agreement, Indonesia and Australia can consult with each other if either is threatened externally."

Concluding, the editorial says: "In short, the agreement makes it possible for the two sides to settle amicably any misunderstandings that could damage cooperation between them. As two countries that are strategically located in the southeast and southern parts of the Asia-Pacific region, they are expected to contribute to strengthening cooperation among the APEC [Asia-Pacific Economic Cooperation] countries. Likewise, within the context of the Southeast Asian Nuclear Weapon-Free Zone Treaty signed recently in Bangkok, the agreement can serve as a bridge to outsiders."

Philippines

Libyan-Trained Fighter Training MILF Members

*BK2212113295 Quezon City MALAYA in English
18 Dec 95 p 2*

[Report by Joseph Jubelag and Al Jacinto]

[FBIS Transcribed Text] General Santos City — Police authorities here were alerted on the presence of 150 Moro Islamic Liberation Front [MILF] members undergoing training in Malapatan, Sarangani Province.

Intelligence reports said the group, armed with high-powered firearms including B-40 antitank smashers, recoilless rifles, M-16 and M-14 automatic rifles, was being led by a certain Commander Sarif, a Libyan-trained fighter and native of Matanog, Maguindanao.

The report said the MILF group set up a camp in Sitio [village district] Andos, Barangay [village] Sapu Masla, Malapatan in 1994 and has been training 100 young recruits aged 18 to 20.

Police said the group is believed responsible for a series of criminal activities including highway robbery, cattle rustling, and illegal logging in the towns of Glan, Malapatan, and Alabel to raise funds. The group is also believed to be behind the three passenger jeepney holdups along the National Highway in Barangay Sapu Masla, Malapatan last Friday.

Police said eight unidentified fatigue-wearing gunmen believed to be MILF rebels flagged down the vehicles in Sitio Lasang and at gunpoint divested the passengers of P [pesos] 200,000 worth of cash and valuables.

Local residents, alarmed by such atrocities, had asked the police and military to deploy troops in the area. But this was, however, opposed by a Muslim town mayor who insisted that the town was relatively peaceful.

Meanwhile, the military expressed concern over the proliferation of Islamic missions in Mindanao.

About 40,000 foot missionaries from around Mindanao assembled last October in Tagoloan and Villanueva in Misamis Oriental. Ten foreign missionaries from Indonesia, Malaysia, and Pakistan were also present, who led a three-day lecture on Islam, the Army Psychological Operations Unit said.

The military said the arrival of an Islamic mission in an area is usually followed by the setting up of an MILF base.

Terrorist Group Admits Links to Ramzi Yusuf

*BK2212110795 Manila BUSINESS WORLD
in English 20 Dec 95 p 12*

[Report by Sandra S. Aguinaldo]

[FBIS Transcribed Text] A group of foreign terrorists allegedly out to sow terror in Metro Manila has admitted ties to convicted international terrorist Ramzi Ahmad Yusuf and his ally Wali Khan Amin Shah, saying the two supported their activities before being arrested by U.S. authorities.

In a clandestine interview somewhere in Manila, Sam Sudin Naim who claimed to be a leader of an Al Harakat-Al Islamia (AHAI) strike force, said the AHAJ was in close coordination with Mr. Yusuf in plotting their plans in the Philippines. Regarding Mr. Shah, he said, "He is one of the supporters of the jihad (holy war)."

Mr. Yusuf has been convicted for the bombing of New York World Trade Center in 1993. Mr. Shah was arrested by the U.S. Federal Bureau of Investigation last week after U.S. investigators found enough evidence to link him to an alleged plot to bomb 11 U.S. jets last January.

The two, together with Abdul Hakim Murad, were confirmed to have been in the country during the visit of Pope John Paul II last January but managed to slip out after their plans were discovered by the Philippine National Police (PNP).

In an earlier interview, an Abu Sayyaf member said Aldemar Quintari, an Afghan surveillance and explosives expert, was chosen to replace Mr. Shah in carrying out planned terrorist activities in Manila.

Mr. Naim also said that more than 70 AHAJ members now in Manila came from various countries and had entered through the southern backdoor. "We are going to bomb and assassinate targets, including military and police intelligence officials," he claimed.

Earlier, the terrorists said they will bomb 14 establishments and murder 11 officials, including President Ramos, Local Government Sec. [Secretary] Rarafel Alunan, PNP [Philippine National Police] chief Recaredo Sarmiento, and Armed Forces of the Philippines Chief Gen. Arturo Enrile.

The AHAI has admitted to joint efforts with the local extremist group Abu Sayyaf but said it does not know anything about the activities of the Muhajir Qaumi Movement (MQM), to which several arrested Pakistanis are said to belong.

It has yet to be confirmed if Mr. Yusuf had direct contact with the Abu Sayyaf which is headed by Ustadz Abubakar Abdurajak Janjalani. "We have members who coordinate with the Abu Sayyaf but as far as we know, the MQM operates only in Pakistan," Mr. Naim said.

Mr. Naim also said the AHAI and the Abu Sayyaf will stage the Manila attacks to get the attention of the international community. "We want Muslims in other countries and Muslims in the Philippines to unite and declare a jihad," he said.

The terrorist, who claimed to have been trained in Afghanistan, also said arms are now in place for the attacks and that another shipment of arms from Syria and Pakistan is due to arrive.

Over the past few days, seven suspected foreign terrorists were rounded up by the PNP. The first five, all carrying Pakistani passports, denied being involved in the activities of AHAI and Abu Sayyaf. Two other Pakistanis arrested last Sunday admitted to be members of the MQM.

The two, identified as Muhammad Nubin Khan and Imtiaz Mohammad Yanin, said they were preparing plans to assassinate Pakistan Prime Minister Benazir Bhutto when she arrives next year to attend the Asia-Pacific Economic Cooperation Summit.

Pakistani Admits MQM Involvement

BK2212043995 Quezon City Radio Filipinas in English 0230 GMT 22 Dec 95

[FBIS Transcribed Text] Mohammad Ahmed Khan, one of two suspected foreign terrorists who surrendered to the police last Tuesday [19 December] admitted involvement with Pakistan's anti-government Muhajir Qaumi Movement [MQM]. Camp Crame sources said Khan admitted during a tactical interrogation that he was an active member of the MQM, an underground movement believed to have links with international terrorist organizations.

Earlier police said one of the seven Pakistanis arrested in Bulacan and Manila revealed a plot to disrupt the Asia-Pacific Economic Cooperation [APEC] Summit scheduled in Subic in November next year. But Khan, who said to know at least five of the arrested Pakistanis, shortly after yielding in Camp Crame denied they are plotting to stage terroristic attacks in Metro Manila.

Top government officials who met with the president yesterday in Camp Aguinaldo downplayed reports linking the arrested Pakistani to plot to disrupt the 1996 APEC conference. Defense Secretary Renato DE Villa said, alarm over terrorist attacks could only mount as a major disturbance but cannot attain the same magnitude as that which had posed by the communists and Muslim secessionists.

Muslim Rebel Groups Planning To Attack Cities

BK2012113795 Quezon City MALAYA in English 17 Dec 95 pp 1, 6

[Report by Al Jacinto]

[FBIS Transcribed Text] Zamboanga City — The Moro Islamic Liberation Front [MILF], the Abu Sayyaf, and the Al Harakatul al Islamiya have drawn up a plan to simultaneously attack the cities of General Santos, Davao, and Cotabato, a military report said.

The report said individual rebel groups have been assigned the cities to attack, their members have undergone urban warfare training, and weapons have been stockpiled in strategic places.

The plot was reported to Camp Aguinaldo last October. The military would not say whether the plot remains current.

Maj. Fredesvindo Covarrubias, spokesman of the Southern Command, could only say the possibility of raids similar to the one on Ipil Town in Zamboanga del Sur early this year is always present and that the military is prepared.

Similar reports of planned MILF-Sayyaf attacks on urban centers surfaced immediately before the third round of negotiations in November between the mainstream Muslim rebel group Moro National Liberation Front [MNLF] and the government.

The third group to join the plot, the Al Harakatul, is reportedly made up of renegade members of the MNLF.

The October report said some 700 rebels were undergoing urban warfare training at the main MILF camp in Camp Abubakar in Maguindanao.

A group of 175 guerrillas, including 25 formed into assassination units, was bivouacked in Sitio [village district] Fuego, Barangay [village] Datu Dani in Kiambre, Sarangani. The group was reportedly led by a Commander Tigre.

Another group of 60 was in Barangay Sulit Palokmok in South Cotabato under Commander Emil and Aguilar.

A group led by Commander Abubakar and based in Pagalungan in North Cotabato was assigned to attack Davao City.

A 400-man group under Commanders Ustadz Muhaymin, Bayan, Mohamad, and Kaizan Abidin was given the General Santos, and Cotabato assignments. This group was recently sighted in Anuling, Labuan.

Military Creates Task Force To Fight Terrorists

*BK2212045195 Manila PNA in English
1322 GMT 21 Dec 95*

[From the Press Review — received via Internet]

[FBIS Transcribed Excerpt] Manila, Dec. 21 (PNA) — Following are the top stories and excerpts of commentaries in the major English-language Philippine newspapers today: [passage omitted]

STAR — AFP [Armed Forces of the Philippines] creates task force vs terrorists [subhead]

The military has formed a counterterrorist task force which will work closely with the Philippine National Police in going after urban terrorists and members of crime syndicates operating in Metro Manila...

Air Force Col. Jessie James Catral, deputy chief for military intelligence, said the task force will include members of the intelligence units of the major services of the military, the Intelligence Service of the Armed Forces of the Philippines, Civil Relations Service, and other branches involved in civil-military operations...

The task force will use a three-pronged approach — intelligence, counteraction, and psychological operations — Armed Forces Chief Gen. Arturo Enrile said... [passage omitted]

Defense Chief Downplays Terrorist Threats

*BK2212093195 Manila BUSINESS WORLD
in English 22 Dec 95*

[Report by Sandra S. Aguinaldo — received via Internet]

[FBIS Transcribed Text] The Department of National Defense (DND) yesterday downplayed threats of terrorist attacks in Metro Manila, saying the government is

prepared for any eventuality and that the reports may be overblown.

Defense Secretary Renato de Villa yesterday told reporters that the Abu Sayyaf, Al Harakat Al Islamia (AHAI) and the Mahajar Qumi Movement (MQM) do not pose a threat to national security.

He said the military and police have yet to verify if such groups really exist, saying the alleged terrorists may just be engaging in media hype.

"We do not feel threatened by these reports, and if ever they are true, we can handle the problem very well," he said.

Mr. De Villa also said the Armed Forces of the Philippines (AFP) has designed an intelligence plan to monitor the movements of these groups, particularly during the Asia Pacific Economic Cooperation (APEC) Summit next year.

Former chief of staff retired Gen. Lisandro Abadia, coordinator of the APEC meet, said he has received unconfirmed intelligence reports that foreign terrorists are out to disrupt the event. He said a "massive intelligence plan" is needed to thwart possible attempts by these groups.

As this developed, ranking police and military officials held a closed-door meeting with President Fidel Ramos inside the Intelligence Service of the Armed Forces of the Philippines (ISAFP) compound in Camp Aguinaldo.

Officials refused to reveal the topics discussed during the briefing but sources said discussions were focused on the threat posed by terrorism.

Present at the meeting were Mr. De Villa, military chief Gen. Arturo Enrile, Local Governments Secretary Rafael Alunan III, National Security Adviser Jose Almonte, ISAFP Chief Brig. Gen. Benjamin Libarnes and National Bureau of Investigation chief Mariano Mison, among others.

Highly Possible [subhead]

Meanwhile, Southern Command Chief Maj. Gen. Ruperto Ambil said intelligence reports indicate it is "highly possible" that some Abu Sayyaf members are now in Manila.

"I cannot discount that possibility. They can easily evade our soldiers because they look like ordinary civilians," he said.

He added the group, headed by Ustadz Abubakar Abdurajak Janjalani, has succeeded in reorganization efforts in Basilan and Sulu. At present, the group is

estimated to number some 800, a sharp increase from their former strength of 150.

In a related development, President Ramos yesterday said the AFP must be vigilant in combating terrorism. In a speech during the 60th AFP anniversary celebration in Camp Aguinaldo, Mr. Ramos said that despite many successes, "much work remains to be done," particularly in maintaining the country's peace and order climate.

"We must unite and confront the problems of peace and order in various parts of the country and the threats affecting the nation's security, especially the new terrorism that has spawned senseless violence in some of our communities," he said.

Mr. Ramos said that despite the forging of a peace agreement with the Rebolusyonaryong Alyansang Makabansa [RAM — Revolutionary Nationalist Alliance], the ongoing peace talks with the Moro National Liberation Front [MNLF] and the declining strength of the Communist Party of the Philippines (CPP), the military must keep its attention focused on internal security.

The president said RAM and MNLF cannot anymore be considered as threats to peace and order because of ongoing peace negotiations. As for the communist rebels, Mr. Ramos said the CPP is no longer considered as a major threat to security.

"It (the CPP) has greatly declined in overall capability and mass base support while our forces have improved in theirs," he said.

Enrile Denies Military Alliance With ASEAN

BK2112114895 Manila THE MANILA CHRONICLE in English 14 Dec 95 p 3

[Report By Isagani Valmonte]

[FBIS Transcribed Text] Cabanatuan City — The Philippines is not working out a military alliance with neighbors in the Association of Southeast Asian Nations (ASEAN) despite the series of mock war exercises the Armed Forces of the Philippines (AFP) is holding with armed forces of ASEAN members.

AFP chief of staff, Gen. Arturo Enrile, brushed aside speculations that the country is attempting to forge tactical partnerships with other countries to ward off external aggression.

"Let me make myself clear, the AFP is not entering into any tactical military alliance. It's totally out of the picture," Enrile said at the closing ceremonies of the ASEAN Armies' Rifle Meet (AARM) at Fort Magsaysay Military Reservation in Palayan City.

He was reacting to speculations spawned by the series of military drills the AFP is practicing with counterparts in the ASEAN and the United States.

Some quarters have observed the increasing joint military activities involving the AFP and other nations. They were asking if in case of external aggression, the AFP will get assistance from these nations or vice versa.

The AFP has conducted joint exercises with at least six countries, including the United States. It is also regularly holding "Balance Piston," a joint military operations involving special air operations and cross training, special operations team (SOT) training, and other field training exercises.

This is apart from the annual "Anos-Singa" joint military exercises that it conducts with the Singaporean Armed Forces (SAF) and the holding of the AARM which includes Indonesia, Malaysia, Brunei, Thailand, and Singapore.

Thailand

PRC's Li Ruihuan Arrives for Official Visit

BK2112105895 Bangkok XIN ZHONG YUAN RIBAO in Chinese 21 Dec 95 p 16

[FBIS Translated Text] At the invitation of Senate Speaker Michai Ruchuphan, Li Ruihuan, Chairman of the National Committee of the Chinese People's Political Consultative Conference, and his 63-member delegation arrived at the Air Force Airport at Don Muang aboard a special flight at 1800 on 20 December for an official goodwill visit to Thailand. The delegation was warmly welcomed at the airport by Senate Speaker Michai Ruchuphan, Senate Vice Speaker Asa Meksawan, officials, and chiefs from various Thai-Chinese organizations. The 61-year old Chairman Li Ruihuan was deeply touched by the grand reception.

Chairman Li Ruihuan read a prepared speech at the airport. The speech reads:

At the auspicious invitation of Your Excellency Michai Ruchuphan, speaker of the Thai Senate, I come to pay an official goodwill visit to your country with very cheerful feelings. Upon stepping on your fertile and beautiful land, I would like to extend my heartfelt thanks to my friends for the warm and friendly welcome.

China and Thailand are close and amicable neighbors and the traditional friendship between the two peoples dates back to ancient times. This year marks the 20th anniversary of the establishment of diplomatic relations between the China and Thailand. For the past 20 years, under the guidance of the Five Principles of Peaceful Coexistence, the friendly relations and cooperation

between our two countries have enjoyed great all-round development. The traditional friendship between our two people has grown with each passing day. As we review the past and look into the future, I hope that my visit will further deepen the friendship between our two peoples, strengthen the close ties between the National Committee of the Chinese People's Political Consultative Conference and the Senate of the Kingdom of Thailand, and push forward the friendly relations and cooperation between our two countries in greater depth and width.

On this occasion, I would like to convey the Chinese people's cordial greetings and best wishes to the Thai people. I wholeheartedly wish the Kingdom of Thailand prosperity and the Thai people happiness. May the friendship between China and Thailand last forever!

Calls on Prime Minister

*BK2212073895 Bangkok Radio Thailand Network
in Thai 0530 GMT 22 Dec 95*

[FBIS Translated Text] At 0930 this morning at the Government House, Asa Meksaewon, first deputy chairman of the Thai Senate, accompanied Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultative Conference [CPPCC], and his party to pay a courtesy call on Prime Minister Banhan Sinlapa-acha. The Chinese visitor and his entourage are currently on a visit to Thailand from 20-27 December as guests of the Thai Senate.

The prime minister warmly welcomed the CPPCC chairman and expressed his appreciation of the good relations between Thailand and the PRC, which have proceeded smoothly and consistently. In particular, concerning trade, many Thai businessmen have invested in the mainland and now operate businesses there. This will significantly contribute to the strengthening of closer relations between the two countries.

The CPPCC chief thanked the Thai Government and Senate for welcoming him and his entourage. He also expressed his deep gratitude to His Majesty the King for granting him an audience. In this regard, the Chinese visitor highly praised the king for his ability.

On this occasion, the Thai prime minister and the Chinese guest also discussed the PRC's open-door policy for economic development, which has enjoyed highly satisfactory success. The prime minister congratulated him on this success, while the CPPCC chairman confirmed to the prime minister that the PRC will continue to implement the economic liberalization policy.

Quick Solution Urged for Malaysian Fishing Problem

*BK2112152295 Bangkok KRUNGTHAP THURAKIT
in Thai 21 Dec 95 p 2*

[Editorial: "Problem of Territorial Waters Has To Be Solved"]

[FBIS Translated Text] Three more Thai fishing trawlers, with a number of crew, were reportedly intercepted by Malaysian navy vessels last Sunday. The incident occurred when the Thai boats passed through an area where Indonesian, Malaysian and Vietnamese waters overlapped, an area which was not far from where the fishing trawler To Laksana 14 was fired on [by Malaysian navy vessels] about a month ago.

There were no details about the trawlers or any indication that they were using dragnets inside Malaysian waters, reasons Malaysian authorities are prone to give. In such circumstance, it means that the Thai fishing boats were intercepted by Malaysia just because Malaysia did not want them not to sail through its waters again.

That should be the motive of the seizure, and nothing else. At a meeting between the Thai and Malaysian prime ministers during the ASEAN summit in Bangkok, the Malaysian prime minister pledged that more discussions would take place to settle the bilateral fishing problem. Yet, no progress had been made when another incident took place. That means Thai trawlers can expect to be intercepted whenever they enter Malaysian waters. The practice would continue unless Malaysian leaders order a temporary halt to the seizures, and they should be able to do so.

Pending official negotiations between the two countries, we suggest that Thai fishermen avoid using the navigation route through Malaysian waters. It is noteworthy that only Malaysia took up the problem of the Thai fishermen, whereas no action has been taken by Vietnam although the area is where Malaysian, Indonesian, and Vietnamese waters overlap. Does that mean that Malaysia, which is different from Vietnam, wants to cause trouble to Thai fishing boats? There is no problem between Thailand and Indonesia because they have reached an agreement on joint fishing ventures.

To reduce the risk of seizure or being shot at by the Malaysian fleet, we suggest that Thai boats avoid passing through the overlapping waters, at least until official negotiations start.

At the same time, we call upon the Foreign Ministry to speedily arrange for Thai and Malaysian consultations on the problem of territorial waters; how to reach for a compromise in case of encroachment on Malaysian

waters and steps to protect its interests against such activities by Thai boats.

We do not want to see more any mistakes such as shootings on Thai fishermen. As we know, Thai fishermen themselves are waiting for their government to solve the problem. However, should a compromise be reached between Thailand and Malaysia and a set of regulations be established to protect the interests of Malaysia, we hope Thai fishermen would cooperate and respond positively. Otherwise, there would be no end to the problem.

Burma To Get Technical Assistance in Tourism

*BK2112055595 Bangkok BANGKOK POST
in English 21 Dec 95 p 1*

[Unattributed report]

[FBIS Transcribed Text] Thailand will next year provide technical assistance to Burma in the fields of tourism and market-economy education, as part of the Government's aid to neighbouring countries.

The two projects, worth between 5-10 million baht each will help strengthen Rangoon's preparations for the Visit Myanmar [Burma] Year 1996, as well as provide academic assistance on market-oriented economy, said Sumathi Sisuchat, deputy director-general of the Department of Technical and Economic Cooperation (DTEC).

The two projects form part of the assistance worth 65 million baht from the Thai Government to Burma. The tourism and education projects will add to the regular features of agriculture, education and health.

The DTEC is a state agency handling Thai aid programmes which also cover Laos, Cambodia and Vietnam.

The addition of these two new programmes resulted from a working session late last month in Rangoon between a 12-member Thai delegation led by Mr Sumathi and the Burmese side led by Ba Twin, director-general of the Burmese Foreign Ministry's International Organisation and Economics Cooperation Department.

The Tourism Authority of Thailand (TAT) and Thammasat University will be handling these two technical assistance projects.

Deputy TAT Governor for Planning and Development Pradet Phayakwichian, who is in charge of the project, said TAT will focus on joint promotion which includes sales and marketing, training and staff exchange, research on tourism and planning.

"We can conduct joint promotion (of tourist destinations in both Thailand and Burma) through our 17 overseas representative offices," he said.

This idea was once presented to Burma's Deputy Prime Minister Maung Maung Khin when he visited Thailand in mid-November.

A comprehensive plan for joint tourism promotion activities is expected to be ready in February next year, before the ministers from both sides can sign an agreement, he added.

Meanwhile, the Thailand-Indochina Academics Exchange Programme of Thammasat University's Faculty of Economics will work together with the Institute of Economics of Yangon [Rangoon] University under the other technical assistance programme to promote market-economy education in Burma.

The Thailand-Indochina Academics Exchange Programme is running similar programmes with Cambodia and Vietnam.

Burma will be the recipient of this aid project next year, while the programme has been running for two years with Vietnam's National Economics University, and with Cambodia's Institute of Economics.

With Laos yet to establish its Faculty of Economics, the aid programme to Laos takes the form of scholarship for Laotian students to pursue a bachelor's degree in economics at Thammasat University.

"They are opening up their countries and wanting to adopt a market economy which is not quite there yet. Therefore, we can help and show their academics what a market economy really is, as well as learn from them," said Mrs Lili Kosiyanon, the programme director.

For Burma, the first phase of a three-year programme includes two-month workshops starting next March on economics teaching methods, research and study tours.

Ten Thai academics will give lectures in Rangoon in July, while Burmese academics will be invited to attend an international conference on East Asian economies, co-organised by Thammasat University in Bangkok in October.

These two aid projects to Burma will mark another fresh start of Thai aid programmes to Burma.

Central Bank Predicts Lower Economic Growth

*BK2212062495 Bangkok THE NATION in English
22 Dec 95 p B12*

[Report by Utsani Hararuk]

[FBIS Transcribed Text] Growth of the Thai economy will next year slow down to 8.3 per cent from this

year's 8.6 per cent figure thanks largely to the restrictive monetary policies pursued over the past two years and a cooling off in private investment, Bank of Thailand Governor Wichit Suphinit said yesterday.

Wichit said the central bank's restrictive monetary policies in the past two years have been "on the right path" and proved to have produced satisfactory results. He also pointed out that a cooling off in private investment, which has risen to 42.2 per cent of gross domestic product this year, will also bring about a slower, but more stable, economic growth.

The Thai economy is moving toward a soft-landing as the policy-makers are aiming to slow it down to a rate more in tune with the current account deficit, which has been a source of public policy concern. The current account deficit is forecast by Wichit to remain at 3-3.5 per cent of GDP by 2000.

Next year, the current account deficit, which implies that more goods and services are flowing into of the country than flowing out, is predicted to fall to 6-6.5 per cent of GDP after rising beyond the official target of 6.3 per cent to 7.1 per cent of GDP, or Bt295.5 billion.

Wichit also expected that domestic and external pressures on prices will subside next year when inflation is expected to fall to 4.9 per cent, compared to 5.8 per cent in 1995 due to the effects of the floods.

Taking the whole picture into account, the central bank expects that commercial bank credit will increase by 21 per cent next year, or by an average lending of Bt76 billion each month, down from this year's 24.5 per cent or an average lending of Bt70 billion each month this year.

Bank deposits are targeted to increase by 15.5 per cent next year, a rate that must be achieved to reduce the pressure on the savings-investment gap. Net capital inflows, restricted by the Bank of Thailand's tightened monetary policy, are expected to decline from Bt480 billion this year to Bt430 billion next year. The M2 money supply is expected to decline from 17.4 per cent this year to 15.5 per cent next year.

Private consumption is also likely to decline for the second consecutive year from eight per cent in 1994 to 7.8 per cent this year and 7.5 per cent in 1996. Total investment will also slow down to 10.2 per cent next year from this year's 12.3 per cent, as investment since 1992 has been on a downtrend.

Wichit insisted there won't be any unexpected pressures, for example, special government imports, to knock economic growth off balance next year. He insisted that the figures released by the Bank of Thailand

yesterday, which tended to be lower than other think tanks had predicted, have included the effect of the policies to be implemented for the coming year.

"Others have not come up with these figures because they do not know what policies we are going to implement," he said.

On investment, Governor Wichit said private investment in small- and medium-sized projects will start to cool off. Only public investment in large infrastructure projects will increase dramatically. The Bank of Thailand estimates that the public investment will leap from 13.9 per cent of GDP this year to 19.2 per cent next year.

On the fiscal side, the country will continue to enjoy a fiscal surplus for the ninth consecutive year, this time of Bt103 billion, which accounts for 2.2 per cent of GDP. This year's foreign reserves, which were recorded at US\$36 billion or six months worth of imports, are expected to jump to US\$40-US\$42 billion next year.

Thailand will also see its trade deficit decline next year. The export rate will slow to 17.4 per cent or Bt1.634 billion, down from this year's 24.5 per cent figure. Imports will also decline to 15.1 per cent next year from 28.4 per cent in 1995.

This will result in a trade deficit of about Bt353 billion, up only six per cent from this year's Bt334 billion. The decline of the trade deficit will also take the pressure off the country's high current account deficit, which is expected to increase by Bt13 billion from this year only.

Wichit said sound macroeconomic policy will be pursued next year to prevent domestic spending from spiralling out of control and bringing about an undesirable destabilizing effect on the economy. He outlined the following five measures:

First, credit in the private sector should not grow beyond 21 per cent a year, compared to a deposit growth rate of 15.5 per cent.

Second, capital inflow will be closely monitored so that it will not pose a pressure to the economy.

Third, short-term capital inflow, earmarked for speculative purposes, will be clamped down on. Measures to curb short-term capital inflows, which enjoy interest rate arbitrage in promissory notes issued by finance and securities companies, will be introduced.

Fourth, spending by Thai people should be brought under control to increase the amount of national savings. Family savings, which were at 14.4 per cent of GDP in 1989, dropped to 7.3 per cent in 1995. Credit card spending will also be the target of official curbs.

Fifth, luxury goods such as cars, sales of which have been growing rapidly, will come under official scrutiny. Hire purchase arrangements for automobiles will be curbed.

Central Bank Governor on License Applications

BK2112055295 Bangkok BUSINESS DAY in English
21 Dec 95 p 3

[Report by a "staff writer"]

[FBIS Transcribed Text] Bank of Thailand (BOT) will not extend the deadline for application of new bank licenses from its scheduled date of January 31 next year despite having received response to the date from financial institutions, BOT governor Wichit Suphinit said.

Mr Wichit indicated that there has not yet been any private company or finance company applying for a new bank license.

The governor added that the central bank should be able to approve applications for new banking license by April 30 next year.

In the case of no-one applying for the license, the committee on new banking licenses may have to decide whether to amend the existing criteria for new banking licenses, Mr Wichit said.

The central bank governor expressed no concerns and said that he believes finance and securities companies could be upgraded to commercial banks in the future.

Mr Wichit added that finance and finance and securities companies are now allowed to provide many services similar to that of commercial banks.

"There are actually many finance and finance and securities companies with qualifications that match the banking criteria," Mr Wichit said.

Pridi Bunyang, Comptroller General's Office director and a member of the committee on new banking licenses, said the present criteria are considered relatively stringent and difficult to meet.

Meanwhile, Mr Wichit defended the central bank for delaying approvals of new credit offices for finance and finance and securities companies.

He said the delay was caused by the process itself which requires another approval from the Finance Ministry.

Mr Wichit said the approvals for new credit offices are expected to take awhile as the Finance Ministry would take some time to consider the applications carefully.

He explained that the Finance Ministry must see to it that the proposed credit offices be located in widespread locations.

However, Mr Wichit was optimistic that approvals to these applications would be made early next year.

Nongnat Sonthisuwan, BOT Financial Institutions Supervision and Development deputy director, said this is the second time the central bank has accepted applications for establishment of new credit offices from finance and finance and securities firms.

Ms Nongnat said the Finance Ministry was very much concerned with the locations due to the lessons it learned from the first round of applications which did not specify the locations of the 160 approved new credit offices.

Government Urged To Stabilize Current Account

BK2212044895 Bangkok BANGKOK POST
in English 22 Dec 95 p 15

[Unattributed Report]

[FBIS Transcribed Text] The sharp increase in the current-account deficit for the first three quarters of this year is sustainable and can be expected to stabilise as import demand drops off, according to a Bank of Thailand report.

However, the report warns that fiscal caution is still needed. Despite slowing demand, the Government must remain "vigilant and focussed on sustaining the deceleration of demand in order to ensure continued reduction of the deficit in 1996 and beyond."

The report, released yesterday by the central bank's Economic Research Department concludes that the 254.1-billion-baht current-account deficit for the January-September period primarily "reflects a cyclical upturn in investment and not consumption".

The bank notes that for developing economies, the high import content of investment leads to a growth in the current-account deficit when investment swings upward.

"During Thailand's last major investment boom (1987-90) which was driven by foreign direct investment, the current-account deficit widened significantly. When investment reached its cyclical peak in 1989-90, the current-account deficit also peaked, and declined substantially thereafter as the pace of investment moderated."

As the services account registered a surplus of 10.1 billion baht for the first three quarters, the jump in the current-account deficit is "essentially a trade deficit phenomenon", the report said. During the period, exports

totalled 1.01 trillion baht, while imports registered 1.27 trillion.

The report notes three factors concerning the trade deficit:

— Exports rose 25.3 percent this year, compared with 1994 — almost double the volume growth of world trade. As a result, the deficit does not reflect a decline in the country's competitiveness, but rather increased domestic demand and other temporary factors.

— Strong private investment was the primary driving force behind the growth in imports, overshadowing private consumption and government imports.

— "trade shock" experienced through a jump in the prices of raw materials and appreciation of the Japanese yen and German mark, leading to an increase in imports.

Domestic investment came in the form of capacity expansion by the private sector, industrial upgrading, infrastructure projects and the coming onstream of new Board of Investment-promoted projects.

"Reflecting this [strong domestic investment], capital goods imports, which grew by 28.9 percent during the first nine months, contributed more than 38 percent of the observed growth in real imports," the report notes.

The central bank concluded that the rise in the deficit is offset by the current strong economy, demonstrated by a "robust export sector, high national savings ratios and continued fiscal surpluses."

The bank also noted that the overall financial position of the country was relatively strong, with low external debt and international reserves of \$36 billion.

Still, the report does not seek to downplay the potential negative economic consequences of a protracted deficit.

"Arresting the rising trend of the deficit is most important for maintaining the country's economic stability in the medium term. This will have to be achieved decisively and orderly even if a tighter fiscal and monetary policy is required."

The Government is urged to promote private-sector savings, continue fiscal savings in the public sector and to ensure "efficient allocation of the economy's scarce financial resources."

Editorial on Subcontinental Cooperation Program

*BK2212074395 Bangkok THAILAND TIMES
in English 22 Dec 95 p A 4*

[Editorial: "Thai-Andaman Linkage Needs Greater Commitment"]

[FBIS Transcribed Text] The decision to revive the South Asia Sub-Continental Economic Cooperation Program, by the Banhan government, linking Thailand with Burma, Bangladesh, India and Sri Lanka, is a timely act and should be applauded. It must be acknowledged that the ambitious scheme was first visualized by the former Chuan government and proposed by the then Economic Relation Committee chaired by former deputy prime minister Suphachai Phanitchaphak and approved by the then Council of Economic Ministers.

The program known as Andaman Economic Cooperation Growth Area calls for increased cooperation between three nations namely: India, Bangladesh, Sri Lanka, who are also members of the South Asian Association for Regional Cooperation (SAARC). Incidentally SAARC members last week initiated a free-trade zone within its 7 member association, will join Burma and Thailand in trade, investments, and joint-venture developments related to fishery, infrastructure network, tourist promotions, transportation services, human resources development and environmental conservation programs.

The Sub-Continental Economic Cooperation Program must be seen as Thailand's new strategy to open up more opportunities for the Thai private sector to diversify from traditional markets and explore for new partners to develop closer economic relationship with the South Asian countries, bordering the Andaman Sea and reduce its dependence in the Gulf of Thailand. This new strategy could benefit the Kingdom in terms of marketing and investment opportunities.

India as the largest market in the South Asian regional grouping SAARC which includes countries such as Sri Lanka, considered the richest in the region with the highest GDP in South Asia, Bangladesh, Pakistan, Nepal, Bhutan, and The Maldives Islands, have often expressed their independent desire to be associated with members of ASEAN and APEC countries in a greater Asian economic association.

Although, the countries in the region are under various stages of economic development and growth, notably, Sri Lanka was the first country in that region to adopt to the market economy since 1979, long before the current economic revolutionary trend that followed the end of the Cold War, geared by, the collapse of communism in Eastern Europe and other parts of the world.

For a region that advocated democratic socialism, nationalization of large public infrastructural facilities and protection of native industries - free market economy seems a new challenge - they are learning to live with it. As elsewhere in the world, these countries are also vibrant with economic reforms, especially in India, where political changes, deregulation, privatization, and trade liberalization have witnessed rapid social changes in the world's second most populous nation. India, with an increasing middle-class of over 300 million, are clamoring for more and more consumer durables, and household goods. It is beginning to open its doors for foreign participation and investment. It is here that Thailand could benefit by taking the challenge and opportunities given by this emerging market and the timely linkage.

India and Thailand can play a leading role in the development of the Sub-Continental Economic Cooperation Program. A step to that goal could develop the prevailing bilateral relations between other SAARC members as well.

As a further step to foster greater inter-regional cooperation, in line with Thailand's trade development and economic cooperation with outside Intra-ASEAN nations being a priority on the government's trade development plans, the Thai private-sector should follow the three leading communication companies Telecom-Asia, Jasmin, and Chinnawat who are already carrying out mobile telephone projects in the region.

If deregulations and economic reforms now introduced are any indication, Thai investors cannot overlook the signals emanating from the South Asian region by way of goodwill visits, trade and cultural promotions. A stepping stone towards eventual economic, trade cooperation and industrial developments in the Andaman Sea area.

Commander on Attack on Army Post in South

*BK2112061095 Bangkok BANGKOK POST
in English 21 Dec 95 p 6*

[Unattributed report]

[FBIS Transcribed Text] An attack on an army post in Pattani could be linked to economic talks with Indonesia and Malaysia in Narathiwat the Army Commander said yesterday.

The outlawed Pattani United Liberation Organisation could have timed the attack in Panare district to affect the Growth Triangle session, said Gen Pramon Phalasin.

Suspected rebels with assault rifles fired on the outpost manned by about 10 soldiers who were asleep and fled into the jungle, leaving a letter in which they said they would torch government offices.

In the letter, in Yawi dialect and left at the outpost in Tambon Tha Nam, the rebels denounced the arrest of four Islamic teachers in Chana, Songkhla.

The teachers, accused of several bomb attacks, have been charged with sedition, stockpiling weapons, recruiting people for insurrection and illegal assembly.

The letter was signed by Hayi Da-oh Thanam, but the attack was believed to have been the work of Ma-air Tophian, his follower.

Panel Accuses Banhan of Concealing Truth

*BK2212040295 Bangkok BANGKOK POST
in English 22 Dec 95 pp 1, 3*

[Unattributed Report]

[FBIS Transcribed Text] The committee probing the alleged submarine bribery scandal has blasted the Prime Minister and Foreign Minister for not revealing everything they know about the case.

The House Foreign Affairs Committee made the criticism yesterday after hearing from Foreign Minister Kasemsamoson Kasemsi that the Christmas holiday will delay the Swedish government making a statement to Thailand.

The committee was not impressed with his answer and chairman Suwat Liptaphanlop, a Chat Phatthana MP, said neither M.R. [Mom Ratchawong — royal title] Kasemsamoson nor Prime Minister Banhan Sinlapachacha were revealing the truth about action on the scandal.

M.R. Kasemsamoson said Thailand should keep cool and wait until after the New Year for an investigation over the allegation Swedish shipbuilder Kockums bribed senior Chat Thai Party figures to secure a 17-billion-baht order for two submarines.

The Foreign Ministry, assigned by Mr Banhan to handle the affair, has already contacted both the Swedish government and Kockums to find out the facts but it would take time, M.R. Kasemsamoson said.

"The Swedish government is trying its best, but since it is Christmas we may not be given an answer until the new year," he told reporters after testifying to the committee.

However, Mr Suwat said M.R. Kasemsamoson told the committee the Swedish government had never given any official information about the scandal.

The minister said Stockholm only said an ongoing investigation would not be finished until after the New Year.

Mr Suwat pointed out Mr Banhan had repeatedly quoted M.R. Kasemsamoson as saying no response had so far been forthcoming from Stockholm.

"It's a pity the Prime Minister could not come to testify. We'll invite him for a third time next week," Mr Suwat said.

He said Mr Banhan should have thrown some more light on the entire issue by testifying before his panel "once and for all".

M.R. Kasemsamoson also said Thailand had not yet made a decision on whether to file a lawsuit in England against the author of the Kockums allegation, Hendrick Westander, and the Swedish newspaper which published the story.

Filing a lawsuit in England, where the Swedish paper is also on sale, is the only option as Swedish law is too "liberal", the Foreign Minister said.

The Indian government once sued a Swedish newspaper published in London because of a corruption allegation, he said.

But he added, Thailand's case is different as the allegation was not made against the Thai Government but against a political party in the Government.

Next week the House Foreign Affairs Committee is holding another hearing and has invited former prime minister Chuan Likhai, Democrat secretary-general Sanan Khachonprasat, Bank of Thailand governor Wichit Suphinit and Supridi Sipadung, owner of S.P. Communications Co, and the Thai agent of Kockums, to testify.

The committee should reach a conclusion on the Swedish sub scandal next Thursday regardless of whether or not the Prime Minister will testify.

"If the Prime Minister does not testify, it would mean he is not ready to cooperate with us for whatever reason," said Mr Suwat.

Defence Minister Gen Chawalit Yongchaiyut who testified before the committee last week suggested Kockums be kept out of the Navy's subs bidding because of the scandal.

The committee chairman did not comment on whether the Swedes would be excluded from the race.

Mr Suwat said the Banhan Government should have done something to help find out the truth about the scandal.

Navy: Submarines 'Vital' for National Defense

*BK2212061195 Bangkok THE NATION in English
22 Dec 95 p A6*

[Unattributed Report]

[FBIS Transcribed Text] Submarines are vital for the protection of the country's sovereignty, particularly in preventing a foreign blockade of the strategically-important Gulf of Thailand, the Navy said in its official statement.

The country's main maritime routes were in the gulf, not the Andaman Sea to the west. In the event of war, the very narrowness of the gulf ("only 200 nautical miles") would make it very vulnerable to an enemy blockade.

"It would be more dangerous if Thailand was at war with a country at the mouth of the gulf as (Thailand) is like a house located in a small alley," the statement said.

Countries such as Indonesia, Malaysia and Singapore, which could not be easily blockaded, all had submarines and long-range fighter cover for their naval forces, it added.

The statement, written by Rear Adm [Rear Admiral] Sombun Sukhaphan with the approval of Navy Commander-in-Chief Adm Prachet Siridet, outlined other advantages of having submarines.

It said that to effectively protect the country's maritime routes the Navy needed submarines in addition to surface ships and aircraft.

"Submarines can stay at sea for a long time and in all weather. They travel slower and cover a smaller area than aircraft, but are more efficient. They are the most dangerous weapon against aircraft carriers."

Submarines could also destroy an enemy's coastal cities and roads better than other military means, it said.

Additionally, it was believed submarines could deter military superpowers from entering the Gulf of Thailand, as in 1982 when a Soviet aircraft carrier and frigates entered and cruised close to the U Taphao airport in Chon Buri.

"The Navy could do nothing to obstruct the Soviet forces (at that time) so the superpower could do as it wanted. But if we had submarines, we could be sure Russia, or other superpowers, would not do anything like that to us again," the statement said.

Submarines could also help in the search for marine resources and were "the best device" to protect these resources.

The statement pointed to the need to protect the country's economy, which relies heavily on the movement of cargo by sea. It cited petrol as a vital example.

So submarines were an important tool — militarily, economically and in international politics, it concluded.

Officials on Navy Submarine Purchase Plan

*BK2112054995 Bangkok THE NATION in English
21 Dec 95 p A2*

[Unattributed report]

[FBIS Transcribed Text] Defence Minister Chawalit Yongchaiyut has promised to support the Navy's plan to purchase submarines, a senior officer said yesterday.

Navy Secretary Rear Adm Thawon Pradapwit said Gen Chawalit vowed that part of the defence budget for fiscal 1997 would be set aside for at least two of the four submarines sought by the Navy.

The defence minister also said if there was enough money he would push for the Navy to acquire the other two submarines, Thawon said.

Thawon reiterated that the Navy needs submarines to protect the country's territorial waters and to counter possible threats in the next three to five years.

The Navy's explanation about the issue will be published in the December edition of the Defence Ministry's magazine, he said.

Chawalit yesterday denied he was responsible for the bribery allegations levelled against Prime Minister Banhan Sinlapa-acha and the Chat Thai Party.

But Democrat Party spokesman Aphisit Wetchachiwa indicated that he suspected Chawalit and wondered why he suggested that the Navy prohibit Sweden-based Kockums from bidding on the submarine project.

There has been speculation that Chawalit, who controls military intelligence agencies, leaked through them information used in the bribery scandal so that Kockums would be kept out of the bidding.

Chawalit was believed to have preferred Kockums' German rival, which is said to be the number two contender.

Chawalit said he was not perturbed by the speculation, saying people will eventually know the truth.

"When problems occur, I am always blamed for them," Chawalit said.

A Swedish peace activist wrote in Sweden's DAGENS NYHETER daily that Kockums paid a "considerable sum" to either Banhan or his Chat Thai Party to boost its chances of bagging the contract.

Earlier, Banhan said he suspected that a leading government politician was behind the submarine controversy as well as allegations against two of his associates, Deputy PM's secretary-general Wirasak Khosurat and Finance Minister Surakiat Sathianthai.

Wirasak and Surakiat were accused by the SIAM POST of having breached political ethics by acting as lobbyists for foreign firms while holding political posts during the Chatchai Chunhawan administration.

"I am not afraid of mud-slinging against me," Chawalit said. "If we're too sensitive to criticism, we shouldn't be politicians."

Chawalit has said Kockums and other prospective vendors should be dropped from the bidding if they fail to come clean on the bribery charges levelled against them.

"I am surprised by the defence minister's comments" Aphisit said yesterday.

"It would be unfair for Kockums to be left out of the bidding. I wonder what (Chawalit's) intentions are in trying to keep the Swedish group out."

The Democrat spokesman said "professional soldiers" would stand to gain if Kockums was given a chance to clear its name.

"People are going to remain suspicious if there is no clear answer to the allegations, which may escalate to affect military affairs. I think that professional soldiers will not be happy to see someone trying to reap vested interests through military affairs," Aphisit said.

Quest for Submarine Bribery Scandal Sources

*BK2112154895 Bangkok ATHIT in Thai 8-14 Dec 95
pp 16-26*

["Cover Story": "Who Is the 'Information Source' Behind the Swedish Submarine Scandal?"]

[FBIS Translated Excerpt] The Swedish Peace Land Arbitration Society (SPAS) is a nongovernment organization whose main objectives are to promote peace and international reconciliation and prevent tension and armed confrontation. The major activity of the organization therefore is to obstruct the "arms trade."

More interesting is the identity of the reliable "information source" whom Westander, the arms trade researcher of the society, referred to in his article on the Kockums bribery scandal, which was published in DAGENS NYHETER newspaper. In his article he claimed that money from the Kockums shipyard was paid to the Chat Thai Party's leader before the 2 May general election.

The most important thing now is to identify the "information source" of Westander so as to help us accurately find out the "motives" behind the bribery scandal.

However, the "objectives" of SPAS and the "information source" are not necessarily the same.

We will use the common process of investigation to classify the suspected "information sources." Our assumption is as follows:

1. U.S. Interests

The United States has nothing to do with the Thai Navy's plan to purchase submarines from the Swedish company. However, due to its extremely close relations with Thailand, the United States is capable of simply using "rumors" to secure its advantage in dealing with Thailand. We have seen the United States do this successfully as in the cases of narcotics trafficking charges against Thai politicians and the accusation that Thailand is a listed money laundering source. "Rumors" are always an effective tool of the United States.

We should not forget that the United States has enormous interests in this region and have often expressed its concern over "military tension" and "arms stockpiling" in this part of the world after the end of the Cold War. The purchase of submarines by Thailand will lead other Southeast Asian countries to follow suit in order to keep their military powers well balanced. Thailand is not the first country to have submarines in the region. However, most of the submarines of Singapore and Indonesia are second-hand, or are old models. Thailand and Malaysia intend to have "the most advanced submarines" for their naval forces. In this regard, the United States once predicted that if the arms race is allowed to continue, there would be not less than 22 submarines operating in the region over the next 10 years. As a result, the United States would have to readjust its military strategy in this part of the world and increase its budgets.

It is the policy of the United States to have all countries in the region recognize its role in the maintenance of stability in the region. Over the past decade, the United States has encountered many frustrating experiences, including the withdrawal of its troops and military bases from Thailand and the Philippines. Now the future of its military base on Okinawa and the presence of U.S. troops in South Korea are still unpredictable. It has been trying to use China's military might to frighten countries in the region and has volunteered to act as a medium for the maintenance of power equilibrium in the region.

U.S. endeavors in this regard have been more obvious over the past few years. The country asked permission from the Thai Government to operate a "floating military base in the Gulf of Thailand" for the defense of security

in the region. The idea was welcomed by Singapore, but ignored by others. The government of former prime minister Chuan Likphai rejected the U.S. request, which was handed to him by Admiral Richard Mark [name as transliterated], commander of the U.S. Pacific Fleet, during a meeting on 31 October 1994. The reason cited by the Thai side was that the presence of the U.S. floating military base "might irritate our neighboring countries and create suspicion against Thailand."

During his visit to Thailand on 17 November 1994, U.S. Secretary of State Warren Christopher said: "Hopefully, the two countries will once again hold dialogue on the U.S. request to set up a floating military base. I hope that when the time comes, the perception of the countries in the region will change and that all countries will agree with the U.S. request to set up an arms depot in the Gulf of Thailand that will be beneficial to regional stability and be valuable in a time of crisis."

The United States can play that role in Thailand or in this region only when all the countries agree to have the United States act as a "medium" for the maintenance of stability in the region. Naturally, by so doing, these countries will make less effort to achieve "self-reliance" and will limit their military power to the point that they have to depend on the United States in the future. Singapore is the only country that has responded positively to the U.S. approach. Malaysia, reputed for its disagreement with the U.S. attempt to interfere in the trade grouping of Asian countries, continues to build up its military power, thus triggering Thailand, which is haunted by "Sinophobia," to move in the same direction, instead of allowing the United States to play an active role in the Gulf of Thailand.

Military hardware like submarines is significant enough to cause the United States to boost the efficiency of its Pacific Fleet, which means spending more money and readjusting relevant policies. The delay in the purchase or procurement of submarines by the countries in this part of the world therefore prolongs the necessity for realignment for the United States.

Suffice it to say the reported delay in Thailand's plan to purchase Swedish submarines has positive effects on the U.S. policy to a certain extent. It is easy for the United States to use a simple trick, always effective with Thailand, by finding the "information source" for any Swedish writer.

2. Malaysia

Malaysia is a next-door neighbor of Thailand. The two countries have been entangled with the problem of overlapping territorial waters, particularly since Malaysia de-

clared the extension of its Exclusive Economic Zone up to 188 nautical miles a few years ago.

Malaysia's neighbors, including Singapore, Indonesia, and Thailand, felt uneasy with the "sea exercise" conducted on 11 October during which the Langkawi Island was supposed to have been captured by an enemy force. The island is located near Thai territorial waters and has been used as Malaysia's economic offensive base and free port. A total of 2,500 Rapid Deployment Force troops were used for this war game. In this connection, Malaysian Prime Minister Mahathir Mohamed said: "Malaysia has no intention to intimidate its neighboring countries. The exercise was to ensure the strength for the defense of the country's interests."

Commenting on the military buildup by Malaysia over the past four or five years, Admiral Charun Phunsanong, former military chief of staff, said with a worrying tone: "the neighboring country is accumulating weapons." In October 1994, Malaysia purchased a huge troop delivery ship worth \$18.3 million from the United States. In November of the same year, the country bought 18 Mig-29 fighters worth over \$600 million, or 15 billion baht, from Russia, 47 armored cars from South Korea, and 24 jet fighters from Great Britain.

In June 1993, Malaysian Defense Minister Najib Razak announced a plan to buy submarines for the navy.

However, that plan has been delayed. According to Thai military sources, it is a common practice for Malaysia to hold back its military purchase plans and to see what Thailand buys first. By doing so, it can be sure that the weapons and equipment it purchases are of the same, or better, quality than those of Thailand.

Supri Siphadung, sale agent of Swedish Kockums dockyard, told ATHIT that Malaysia planned to buy submarines from Kockums three years ago. However, the purchase was postponed because Malaysia learned that the Swedish company was in the process of "developing new submarine technology" and decided to buy warships instead. Meanwhile, Malaysia is closely monitoring the Thai Navy's movement and has not yet scrapped its submarine purchase plan.

What has Malaysia gained from the outbreak of the Kockums submarine bribery allegation against the Thai prime minister? Certainly, superior military might is something Malaysia wants to achieve. The suspension of Thailand's submarine purchase plan will definitely heighten Malaysia's bargaining power in the negotiations to be held with Thailand in the future in connection with the dispute over the overlapping territorial waters. Malaysia's confidence in its naval force is obvious from the killing of two Thai fishermen by its patrol guards,

which led to threats by Thai fishing trawlers to block the Gulf of Thailand.

Right after the incident, the Thai Foreign Ministry sent an official protest letter to the Malaysian Government demanding the latter pay for the damage. At the same time, General Chawalit Yongchaiyut, deputy prime minister and defense minister, said during an interview that although the Thai fishing trawler might have violated Malaysian waters, the Malaysian side's shooting must be seen as an "overreaction."

A few hours after receiving the official protest letter, the secretary general of the Malaysian foreign ministry clearly announced during an interview with BERNAMA, the national news agency of Malaysia, that Malaysia would not pay whatsoever for the damage caused by the incident. The bodies of the two fishermen would be sent home with some money for funeral rites, not "compensation" for the damage. The Thai side had still hoped to bring up the issue during the upcoming meeting of the Thai-Malaysian Border Committee under the cochairmanship of the defense ministers of the two countries. However, the Thai defense minister was later informed that his Malaysian counterpart was "occupied by many functions" and had to postpone the meeting indefinitely.

The recent attitude of Malaysia toward Thailand indicates its increased "bargaining power" and with this uncompromising attitude it will deal with the aggression by the fleet of Thai fishing trawlers and conduct negotiations with Thailand over the border problems and sharing of marine resources in the future. As long as the Thai Navy is frustrated by the bribery "allegations" and "internal political changes," Malaysia will certainly be happy with that. If the new government is so scared of the mass media and the opposition parties and has to shelve the submarine purchase plan, Malaysia's bargaining power in dealing with Thailand will further be increased. Should the government and navy decide to buy submarines from other countries, Malaysia will make sure that its submarines are more advanced and more efficient. If Malaysia is not yet ready to make a submarine purchase, Thailand's delay in its submarine purchase plan would give Malaysia more time to prepare itself to buy submarines.

Like any other country, Malaysia is well aware of the "vulnerability of Thai society." Malaysia has witnessed the Saudi Arabian charge d'affaires lambaste five consecutive Thai Governments, it has seen the rumors cooked up by the United States rock the Thai Government, and seen pressure successfully exerted by Burma, Cambodia, and Laos on Thailand. Considering the weakness of Thailand's internal politics, Malaysia

could have easily provided an "information source" for the Swedish writer to gain an inside knowledge of the above-mentioned effects.

3. Submarine Companies

As a matter of fact, the idea of purchasing submarines for the navy was first initiated 13 years ago by a group of high-ranking naval officers in conformity with the so-called "defense in depth" strategy that includes effective warning and reconnaissance systems as employed by many countries. Australia has been relying on this strategy to keep its "ground forces" on full alert against any attempted external aggression. [passages omitted]

There are two major reasons for the attempt to kill the submarine purchase plan. First, it was anticipated that the Swedish Kockums Company was likely to win the bidding due to the quality of its product and reasonable price and payment term it offered. Therefore, other submarine companies from Germany, China, Great Britain, and other countries must try to delay the project.

Second, the purchase of submarines is a big project that would drain a large portion of the navy's budget for the next several years. As a result, other arms dealers and manufacturers would not be able to sell their goods, such as frigates, patrol boats, and other equipment, to the navy.

Up to this point it is believed that the unexpected decision made by the government of former Prime Minister Chuan Likphai to shelve the submarine purchase plan was caused by the rumor spread by people inside the Democrat Party, which in effect said that military officers belonging to the now-defunct NPKC [National Peacekeeping Council] planned to use the commission money from the submarine purchase to establish a new political party. [passage omitted]

However, the submarine purchase plan was revived by Prime Minister Banhan Sinlapa-acha and Defense Minister General Chawalit Yongchaiyut and was expected to be materialized in the 1997 fiscal year. The decision was overwhelmingly welcomed by senior officers in the Navy because it would be the "last big accomplishment" for Navy Commander Admiral Prachet Siridet before his retirement in October 1996. The Navy has to try its utmost to save the money for the materialization of the 13-year-old project.

The navy commander's face turned red upon seeing the article written by Henrik Westander, published by the Swedish newspaper, because it could lead to the complete scraping of the project. In his article, Westander said that besides the money Kockums paid to the Chat Thai Party, the German company probably also gave a donation. Westander's sole objective was to

have the submarine purchase plan completely scrapped as the Swedish and German companies are vying for the contract.

It is suspected that sale agents of foreign arms dealers and manufacturers, not the submarine companies, in Thailand were behind the bribery scandal because they want to see the indefinite suspension of the submarine purchase scheme so that the Thai Navy would have the money to buy their boats, reconnaissance planes, and jet fighters. They are the ones who provided the "information" to Westander.

4. Political Parties in the Country

The opposition parties are pleased with the negative effects on the government caused by Westander's article. In this connection, General Chawalit Yongchaiyut had to call for a meeting of his New Aspiration Party [NAP] on 28 November. Earlier, he noted that some people might want to attempt to use the bribery scandal to cause direct confrontation between his NAP and the Chat Thai Party. [passage omitted]

When Westander's article was first published by the Swedish paper, leading figures of the opposition Democrat Party were indirectly playing up the scandal. However, they forgot to brief Major General Sanan Khachonprasat, the outspoken secretary general of the Democrat Party, on their strategy. In his subsequent interview with the English-language BANGKOK POST newspaper, Maj Gen Sanan apparently reaffirmed that Westander's report was probable, and not totally "groundless."

Maj Gen Sanan said: "The Democrat Party was also approached in the same manner before the general election." He said he was contacted by some admirals of the Thai Navy and the submarine sale agent, but he rejected their bribery offering. [passage omitted]

As the bribery scandal was being fanned up by the secretary general of the Democrat Party, NAP leader Gen Chawalit Yongchaiyut made an important move by inviting the commanders of the three armed forces to a luncheon on 1 December during which he declared: "We politicians can fight among ourselves. Do not go beyond the limits. Do not drag the military into this."

Gen Chawalit Yongchaiyut had earlier tried to prevent his political party from being implicated in the scandal. However, his newly adopted promilitary stand has certainly elevated his political footing. [passage omitted]

Committee Meets on Lao Refugees Repatriation

*BK2212095995 Bangkok Radio Thailand Network
in Thai 0000 GMT 22 Dec 95*

[FBIS Translated Text] Khachatphai Burutphat, deputy secretary general of the National Security Council reported that the tripartite working committee comprising representatives of Thailand, Laos, and the UNHCR Office held a meeting in Chachoengsao Province on 18 December 1995. The meeting discussed the progress of work in solving problems concerning Lao refugees in Thailand and new measures to speed up the repatriation process of Lao refugees.

The meeting was satisfied with achievements attained in the past period. About 24,330 Lao refugees have returned to settle down in their homeland. Every repatriate has been provided with a piece of land for cultivation in the area arranged by the Lao Government. Particularly, in the Ban Na Sa-at village in Khammouane Province preparations are made with various facilities to receive as many as 3,000 Lao refugees. So far, a total of 550 Lao refugees from the Ban Na Pho Camp in Thailand have been placed in the area, whereas more and more repatriates are voluntarily moving into the place.

The delegates to the meeting agreed to cooperate closely with each other in tackling various problems and obstacles. All sides also confirmed to further render cooperation among them under the framework set by the meeting of the Thai-Lao-UNHCR tripartite committee in order to facilitate the faster repatriation of the approximately remaining 6,000 Lao refugees to their homeland.

Suspected Rebels Torch School in South

*BK2212045495 Bangkok BANGKOK POST
in English 22 Dec 95 p 6*

[Unattributed Report]

[FBIS Transcribed Text] Yala — Rebels torched a school building early yesterday causing 300,000-baht damage.

The Pattani United Liberation Organisation (PULO) is believed to be responsible for the attack in Tambon Yupo, Moang district.

Ma-ae Sulong, the caretaker of Ban Thung Riang School said he heard a loud explosion at about 1 a.m. and soon after a fire engulfed the three-storey wooden building which was burnt to the ground.

Two letters written in English, bearing the PULO emblem and addressed to the Thai Government were recovered near the torched building.

The letters demanded the Government free a number of people including four Islamic teachers who were arrested in Songkhla's Chana District last year.

The teachers, accused of several bomb attacks in the South, have appeared in court charged with sedition, stockpiling weapons, recruiting people for insurrection and illegal assembly.

The court has yet to give a verdict on the charges.

Headmaster Phairot Damrongkun said the school was one of more than 30 southern schools which were torched simultaneously on August 1, 1993.

Then it was slightly damaged because villagers were able to put out the fire shortly after it started.

Civilian-Police-Military Command 43 commander Maj-Gen Rewat Rattanaphongsai and 9th Police Region deputy commissioner Pol Maj-Gen Suphachai Lieochaloemwong inspected the scene yesterday morning and met religious leaders in the village.

Maj-Gen Rewat said the arson and armed attack on an army post on Monday night were intended to press for the release of the four Islamic teachers.

Vietnam

Buddhist Dissident Allegedly Mistreated

*BK2212023295 (Internet) SEASIA Listserv in English
21 Dec 95*

["Press Statement" issued by the Vietnam Committee on Human Rights in Paris on 21 December]

[FBIS Transcribed Text] Venerable [Ven.] Thich Quang Do, 68-year-old Secretary General of the banned Unified Buddhist Church of Vietnam (UBCV), is reportedly detained under extremely harsh conditions in Ba Sao Reeducation Camp in Nam Ha, Phu Ly Province in Northern Vietnam. Buddhist sources say that Thich Quang Do is deprived of adequate clothing, blankets, food and medicine. He is extremely weak, and suffering badly from a wave of bitter cold that hit the region in November.

This is the first report on the exact whereabouts of Thich Quang Do since the authorities transferred him secretly to the Northern provinces in October 1995. The UBCV's second ranking dignitary was sentenced to five years imprisonment at a closed, one-day trial in Ho Chi Minh City on August 15 1995, convicted of "sabotaging religious solidarity" and "taking advantage of the rights of freedom and democracy to violate the interests of the state and social organisations". Specifically, the Ho Chi Minh People's Organ of Control accused Thich

Quang Do of writing and circulating "documents with wicked contents" such as "Observations on the grave offenses committed by the Vietnamese Communist Party against the Vietnamese People and against Vietnamese Buddhism", supporting the UBCV Rescue Mission for flood victims in the Mekong Delta, and erecting a "Unified Buddhist Church" nameboard over the Thanh Minh Pagoda in Ho Chi Minh City in defiance of a Government ban (Doc. 18/KST-AN, 24.8.1995).

UBCV monk Thich Khong Tanh and lay-follower Nhat Thuong (Pham Van Xua) are both in very poor health following unexplained sanctions and ill-treatment in Chi Hoa Prison, Ho Chi Minh City. In November, both were placed in solitary confinement cells for two weeks and forbidden to receive food-parcels or visits. Prison authorities say that they will not be allowed further visits until March 1996. The two men were sentenced to five and three years imprisonment on August 15 1995. An appeal hearing was held at the Ho Chi Minh City Appeals Court on October 28 1998, but the men were denied access to defence counsel of their own choice, and the prison sentences were upheld.

The Vietnam Committee on Human Rights is deeply concerned by the ill-treatment of prisoners in Vietnam, and calls on the Vietnamese Government to :

a) guarantee the humane treatment of all prisoners as stipulated in the UN Standard Minimum Rules for the Treatment of Prisoners and the International Covenant on Civil and Political Rights to which Vietnam is a state party;

b) foster a spirit of national reconciliation, and implement Party Secretary Do Muoi's appeal to "efface all hatreds" between Vietnamese of all different viewpoints by declaring an amnesty on the Tet Festival (Vietnamese New Year, 19 February 1996) and releasing religious prisoners such as UBCV Buddhists Ven. Huyen Quang, Quang Do, Khong Tanh, Nhat Ban, Tri Luc, Tri Tuu, Hai Tang, Hai Thinh, Tue Sy, Tri Sieu, Hanh Duc, lay-Buddhist Nhat Thuong and all Catholic, Cao Dai, Hoa Hao or Protestant clergy and followers, as well as political prisoners such as Hoang Minh Chinh, Do Trung Hieu, Le Hong Ha, Ha Si Phu, Doan Viet Hoat, Nguyen Dan Que, Pham Duc Kham, Pham Van Thanh and all other prisoners detained solely for the non-violent expression of their opinions and beliefs.

Railway Links With China To Reopen 'Next Year'

*BK2112154395 Hanoi VNA in English
1243 GMT 21 Dec 95*

[FBIS Transcribed Text] Hanoi VNA Dec. 21 — Moves to prepare for the resumption of the Sino-Vietnam railway link are now underway with the prime minister directing the Ministry of Communication and Transport, in coordination with the Ministry for Foreign Affairs, the Border Commission and relevant agencies, and provinces and localities, to carry out the necessary work.

It is expected that the two railway systems, linking Dong Dang- Pingxing and Lao Cai-Shan Yan, will be reopened by the first quarter of next year.

Australia

Evans Defends Security Treaty With Indonesia

BK2012023995 Melbourne Radio Australia
in English 0130 GMT 20 Dec 95

[FBIS Transcribed Text] Australian Foreign Minister Gareth Evans, speaking in London, has again defended Australia's signing of the new security treaty with Indonesia. He says the pact will strengthen, rather than inhibit Australia's capacity to be effective over human rights in East Timor.

Senator Evans then went on to put forward proposals to reform the United Nations. More from Michael Dodd:

[Begin Dodd recording] Addressing an audience of foreign affairs experts at the Royal Institute of International Affairs, Sen. Evans laid out a comprehensive 10-point plan for reforming the United Nations. The foreign minister indicated that he wanted the UN to put much more effort into trying to prevent conflicts before they occur, rather than trying to restore peace after hostilities break out, though he admitted that when preventative diplomacy succeeds, then nobody notices.

Sen. Evans also claimed there is increasing support among his foreign minister colleagues to his proposal to raise revenue for the United Nations through a small levy on foreign exchange transactions or through a \$10 tax on all international airline tickets. [end recording]

More Assistance for Former Yugoslavia Expected

LD2212102395 Melbourne Radio Australia
in English 0900 GMT 22 Dec 95

[FBIS Transcribed Text] Australia is to provide another 1.5 million [Australian] dollars to meet urgent humanitarian needs in the former Yugoslavia. The funds will go to the United Nations High Commissioner for Refugees to continue providing food, shelter, and other aid for people displaced by the conflict. The new donation lifts Australia's aid to the region to 5 million dollars this year, and comes as Australia attends a two-day meeting in Brussels to identify priorities for the massive reconstruction effort. The minister for development cooperation, Gordon Bilney, says the pressing needs during the European winter of more than 3,000,000 people cannot be ignored.

New Group of Boat People Returned to China

BK2112065395 Melbourne Radio Australia
in English 0500 GMT 21 Dec 95

[FBIS Transcribed Text] Another group of boat people has been flown from the Port Hedland Detention Center in Western Australia to China, bringing to almost 200 the number moved over the past fortnight. The latest

group of 11 boat people was returned today. The Australian Immigration Department says more than 660 boat people have been returned under an agreement between Australia and China signed in January this year. Between November last year and May this year, more than 800 boat people arrived on Australian shores aboard 11 boats from China.

Government Releases Midyear Economic Review

BK2112064595 Melbourne Radio Australia
in English 0500 GMT 21 Dec 95

[FBIS Transcribed Text] The federal government still expects to achieve a small budget surplus this financial year despite rising inflation and weaker economic activity. In its midyear economic review, the government has reduced its forecast \$718 million [Australian dollars] surplus to \$115 million. The federal treasurer, Ralph Willis, says the revised surplus estimate reflects the reduction in government revenue and spending initiative announced since the May budget.

As well, the government has increased its annual inflation rate forecast from 4 percent to 4.75 percent. The budget forecast of an 8 percent unemployment rate by the end of June has been increased to 8.25 percent.

Vanuatu

Parliament Approves Vohor as New Prime Minister

BK2112040395 Hong Kong AFP in English
0330 GMT 21 Dec 95

[FBIS Transcribed Text] Port Vila, Dec 21 (AFP) — The new Vanuatu parliament Thursday elected Serge Vohor of the Union of Moderate Parties (UMP) as prime minister of this island state in the southwest Pacific.

Vohor got 28 votes in the election by the 50-member parliament.

The UMP won 17 seats in the November 30 general elections and intends to rule in a coalition with the National United Party which won nine seats.

An attempt to elect a new prime minister on Monday failed when the Unity Front — which has 20 MPs in the new house — boycotted the session which failed to get the required quorum.

More on Premier's Election; Coup Rumors Denied

BK2112082895 Hong Kong AFP in English
0817 GMT 21 Dec 95

[FBIS Transcribed Text] Port Vila, Dec 21 (AFP) — Vanuatu MPs voted in a new prime minister Thursday after this island state's police chief had assured them

that security forces around parliament had no intention of mounting a coup d'etat.

Serge Vohor, the 40-year-old leader of the Union of Moderate Parties (UMP) was chosen as prime minister with 28 votes from the 50-member parliament.

Police and members of the paramilitary Vanuatu Mobile Forces were posted in and around parliament house for the session.

They took up their positions amid rumours, which started Wednesday [20 December], that security forces planned to mount a coup during the session.

In an urgent message broadcast on national radio as the MPs started meeting, Police Commissioner Luc Siba said the forces were "not there to stage a coup, but to maintain security".

The UMP won 17 seats in the November 30 general elections and intends to rule in a coalition with the National United Party (NUP) which won nine seats.

An attempt to elect a new prime minister on Monday failed when the Unity Front (UF) — which has 20 MPs in the new house — boycotted the session which failed to [words indistinct] (?required) quorum.

Tension has been rising here since the aborted session as the UF sought to persuade some UMP and NUP members to defect and join them in a coalition government.

Two independent MPs also backed Vohor on Thursday while UF leader Donald Kalpokas got 22 votes.

After Vohor's election, all the UF MPs walked out of parliament.

Vohor's government included six ministers from the UMP and five from the NUP with former prime minister Walter Lini holding several portfolios as deputy prime minister.

Members of New Cabinet Announced

*BK2112100095 Hong Kong AFP in English
0935 GMT 21 Dec 95*

[FBIS Transcribed Text] PORT VILA, Dec 21 (AFP) — The new Vanuatu government list announced Thursday [21 December]:

Prime minister: Serge Vohor (Union of Moderate Parties — UMP)

Deputy Prime minister (including Justice, Culture and Women's Affairs): Walter Lini (National United Parties — NUP)

Home Affairs: Robert Karie (NUP)

Finance: Willie Jimmy (UMP)

Foreign Affairs: Alfred Maseng (UMP)

Transport/Public Works: Shem Nokaot (NUP)

Health: John Dickinson (UMP)

Education: Edouard Melsul (UMP)

Tourism, housing and employment: Gedeon Fred (NUP)

Land/Natural Resources: Paul Telukluk (UMP)

Agriculture, forestry and fisheries: Kiasipai Song (UMP)

Trade and Commerce: John Lee Solomon (UMP)